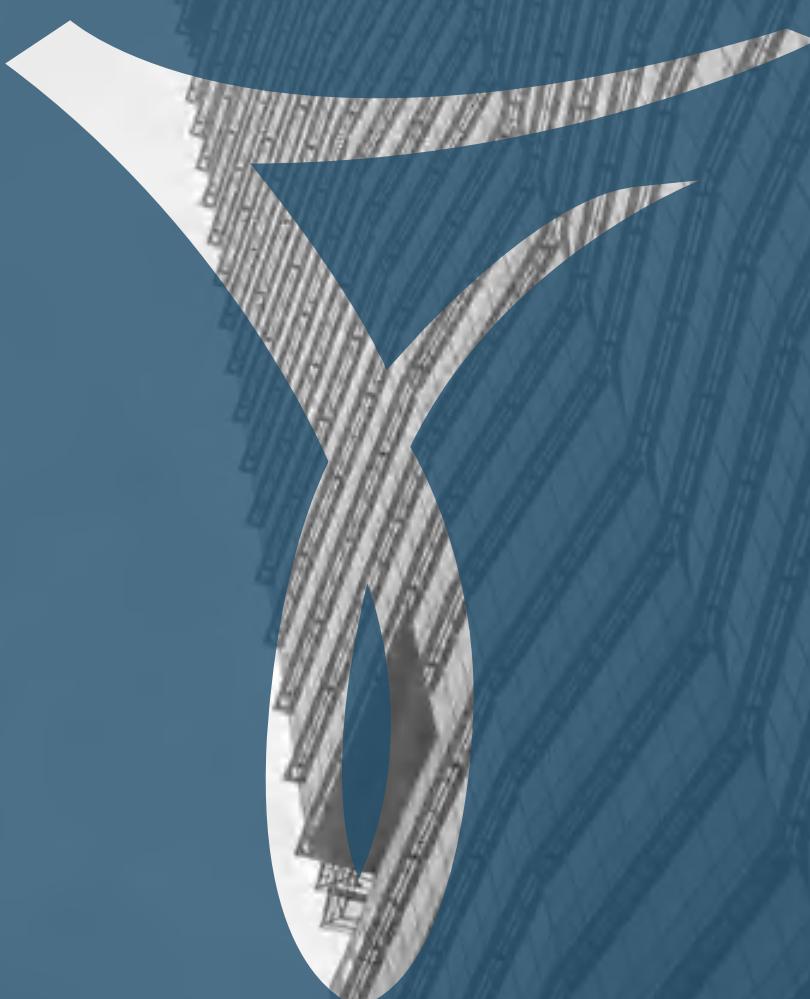
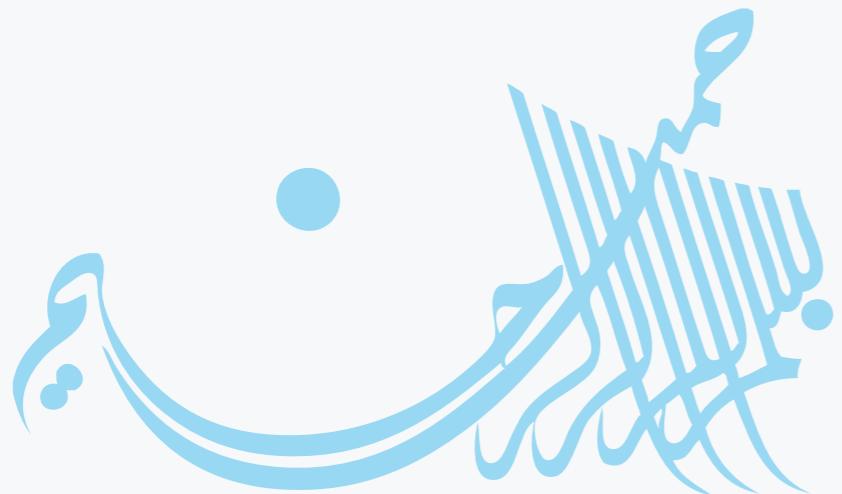




ANNUAL REPORT

2024





**Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud**

May Allah protect him



**His Royal Highness
Prince Mohammed bin Salman bin
Abdulaziz Al Saud
May Allah protect him**

CONTENTS



6 Company Overview			
8-9	Board Members	71	Subsidiaries
10-11	Message from the Chairman of the Board	72-73	Financial and Accounting Systems
12-13	Message from the CEO	75	Loans
14-15	About Saudi Ceramic Company	76-79	Financial Statements
16-17	Overview of the Strategy		
18-33	Operational Performance	80-123	Business and Environmental, Social Governance Framework
20-21	Key Operational Figures	80-89	Governance Framework and Shareholders' Rights
22-23	Company Sectors	90	Key Disclosures in 2024
24-25	Ceramic and Porcelain Sector	91-95	Shareholder Meetings
26	Sanitaryware Sector	96-108	Names of Board Members, Committees, Executive Management, Their Current and Previous Positions, Qualifications, and Experiences
26	Water Heater Sector		
28-29	Other Sectors		
30-31	Quality	109-112	Committees Formed by the Board
32-33	Industrial Security and Safety	113-120	Board Members and Executive Committees' Compensation
34-45	Business Sector	121	Description of Interests of Board Members and Key Executives and Their Relatives
36	Sales	122-123	Related Parties
37	Company Sales Channels		
38-39	Expansion and Prosperity		
40-41	E-Commerce		
42-44	Recent Projects Contributed by Saudi Ceramics	124-135	Risk Management and Internal Audit
45	Key Milestones in 2024	126-132	Internal Audit
46-53	Geographical Distribution of Showrooms in Saudi Arabia	132-134	Audit Committee's Opinion
48	Warehouses and Logistics	136-143	Environmental and Social Responsibility
49-51	Supply Chains	138-139	Environmental Sustainability and Social Responsibility
52-53	Digital Transformation and Automation	140-143	Social Responsibility
54-63	Marketing / Business Development / Human Capital	144-149	Disclosure and Transparency Policy
56-57	Marketing	146-147	Disclosure and Transparency Policy
58-59	Business Development	147-149	Governance Regulations
60-63	Human Capital	148-149	Declarations according to the Governance Regulations for 2024
63-79	Financial Performance	150-194	Consolidated Financial Statements and Independent Auditor's Report for the Year Ending December 31, 2024
66	Financial Performance Overview		
67	Summary of 2024 Results		
69	Key Financial Indicators		
70	Main Activities		

About the Company

- Board Members
- Message from the Chairman of the Board
- Message from the CEO
- About Saudi Ceramic Company
- Overview of the Strategy

FACES BEHIND OUR SUCCESS



BOARD MEMBERS

MR. YOUSUF BIN SALEH ABA AL-KHAIL Chairman of the Board



**ENG. AZZAM SAUD
ALMUDAIHEEM**
Chief Executive Officer



**ENG. MAJED
ABDULLAH AL ISSA**
Board Member



**MR. SAMI IBRAHIM
AL ISSA**
(General Organization
for Social Insurance)
Board Member



**MR. ABDULAZIZ
ABDULKARIM
AL-KHURAIJI**
Board Member



**ENG. MUTAIB
MOHAMMED AL-SHATHRI**
(Public Investment Fund)
Board Member



**MR. MUHAMMED
ABDULMOHSIN
AL-QURAINEES**
Board Member



**MR. MAJED
MOHAMMED
ALDAKHEEL**
Board Member



**MR. ASIM SAAD
AL-JURAID**
(General Organization
for Social Insurance)
Board Member

Message from the Chairman of the Board



SC

Dear Saudi Ceramics Company Shareholders,

Peace be upon you,

I am pleased to begin by highlighting the economic stability and sustainable growth that the Kingdom of Saudi Arabia is experiencing, opening vast opportunities for growth and expansion across various sectors. Saudi Vision 2030 serves as a fundamental pillar for this transformation, offering us unprecedented opportunities for innovation and adaptation to current challenges. Projections indicate continued strong growth in the real estate sector in the coming years, which enhances our company's opportunities for expansion and allows us to benefit from this positive momentum.

Despite these promising opportunities, the company faced some challenges in 2024, most notably the impact on the red brick sector due to a decrease in the value of property, machinery, and equipment by 45 million riyals, in addition to inventory impairment losses of 32 million riyals. The negative results of the subsidiary, Saudi Ceramics Pipes Company, continued, recording losses of 33 million riyals due to the contraction of the ceramic pipe market in favor of alternative products, which significantly impacted the company's overall financial performance.

The ceramic and sanitary ware sector faced intense competition, which affected the average selling prices, along with rising transportation and shipping costs due to increased fuel prices since the beginning of the year. Despite these challenges, the company took precautionary measures to limit product dumping in certain areas in order to maintain its market share and enhance its long-term competitiveness.

Nevertheless, the company was able to maintain its market share and increase sales volume, especially in the tile and water heater sectors. Profit margins also improved compared to the previous year. Moreover, we added 6 new sales outlets during the year, bringing the total number of our showrooms to 63, which enhanced our presence in most of the Kingdom's cities and helped meet local demand more effectively. Additionally, production capacity was strengthened with the addition of the porcelain factory at the end of 2024, which is expected to have a strong positive impact on improving our sales mix and increasing profit margins.

The company continues its efforts to expand into foreign markets despite intense competition and declining average prices in global markets. We are working to develop our export strategies and strengthen our international presence to ensure sustainable growth in this field.

We reaffirm our commitment to improving operational efficiency, innovating products, and continuously developing our products to elevate them to global competitive levels. We are confident that the challenges we have faced will lead to new opportunities for growth and expansion, and we will continue to work diligently to overcome obstacles and achieve the aspirations of our esteemed shareholders.

In conclusion, I would like to extend my sincere thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz, may Allah protect them, for their continued support of national industries and creating promising growth opportunities across various sectors, amidst the comprehensive renaissance taking place in the Kingdom in all fields.

I would also like to express my sincere gratitude to our esteemed shareholders, dear customers for their support and trust, and extend my thanks to my fellow board members for their dedicated efforts. Additionally, I thank the executive management and all employees of the company who continue to work with sincerity and dedication to serve our customers and fulfill the aspirations of our shareholders.

We ask Allah for success and guidance.

Chairman of the Board
YOUSUF BIN SALEH ABA AL-KHAIR

Message from the CEO 2024

By the grace of Allah, the company has achieved remarkable performance this year, despite the significant challenges faced by the business sector in general, particularly the rising costs of production and logistics services. The initiatives the company adopted and the strategic plans developed over the past years have played a crucial role in mitigating the impact of these challenges on our operational and financial performance.

The company continued to grow and expand across various sales channels, strengthening our presence in retail, export, and e-commerce. We also focused on product development by introducing innovative designs for tiles, sanitary ware, and water heaters, which were launched this year in various shapes and sizes to meet the needs of different customer segments.

On the technical front, the company completed several projects that were under development during previous periods, including the upgrade of tile production lines and advanced cutting systems. We also enhanced production lines in our sanitary ware and water heater factories and completed the digitization project for some of our plants, marking an important step toward improving operational efficiency.

One of the key achievements of this year was the high efficiency in managing working capital through effective production planning, significantly reducing inventory levels, and controlling stock levels. This has increased our production flexibility to meet the varying customers' demands and preferences. Additionally, we improved cash management and reduced loan levels by 9%, which positively impacted the reduction of financial burdens.

Throughout the year, we participated in several local and international exhibitions with the goal of expanding and reaching new consumer segments, with our most prominent participation being at the Canton Fair in China. We look forward to repeating this participation in 2025 as part of our plan for global market expansion. We also aim to represent the Kingdom in several key international exhibitions, which will enhance our global presence and provide greater opportunities for growth.

On the administrative and support services front, the company continued to develop supporting services and increased the localization of jobs in line with Saudi Vision 2030, with a focus on enhancing employee satisfaction. It goes in line with our deep belief in the importance of investing in human capital and developing national talents, which are the key drivers for sustaining success.

In conclusion, I would like to express my sincere gratitude to the Chairman and members of the Board of Directors for their continuous support and valuable guidance in achieving the company's goals. I would also like to thank all of the company's employees for their dedication and contributions, which have played a vital role in fulfilling the expectations of our shareholders and continuing the success journey that we are proud of.

We ask Allah for continued support and success in achieving further accomplishments in the future.



Chief Executive Officer
ENG. AZZAM SAUD
ALMUDAIHEEM

About Saudi Ceramic Company

Establishment

The story of Saudi Ceramic Company began in **1977**.

When the company was established as a leading Saudi joint-stock company in the industrial sector.

Products

The company produces a wide range of products that cover the needs of the wholesale and project sectors, in addition to individuals across the Kingdom and abroad. These products include:



CERAMIC &
PORCELAIN
TILES



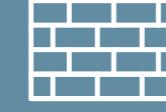
SANITARY
WARE



ELECTRIC
WATER
HEATERS



PLASTIC &
COMPLEMENTS



RED
BRICKS



DESERT
MINES

Modern Technology

The company is committed to using modern and advanced technologies in manufacturing, ensuring its continued leadership and obtaining more quality certifications.



Social Responsibility

The company is committed to supporting the national economy and Saudization by providing job opportunities for Saudis at the technical and administrative levels.

Sales Channels

The company has multiple sales channels on a wide scale, including local showrooms, projects, wholesale sales, and export to many countries around the world, in addition to e-commerce



Overview of the Strategy

Through its strategy, the company aims to achieve sustainable growth, enhance its position in the construction and building sector, and contribute to the realization of Saudi Arabia's Vision 2030.

The strategy is based on three main pillars:



The Company's Strategy

The company has developed a clear strategy to enhance growth, achieve its objectives, measure performance, improve return on shareholders' equity, and maintain the company's assets and the value of its investments.

This strategy is divided into four main pillars, in addition to a set of enablers that help the company achieve it.

The Core Pillars of Saudi Ceramic Company's Strategy:



Operational Performance

- Key Operational Figures
- Company Sectors
- Ceramic and Porcelain Sector
- Sanitaryware Sector
- Water Heater Sector
- Other Sectors
- Quality
- Industrial Security and Safety

Operational Performance

Key Operational Figures:

3 Million

Pieces of Sanitary ware

16 Factories

Equipped with the Latest Technologies

2 Million

Water Heaters, including Central and Solar heaters

68 Million

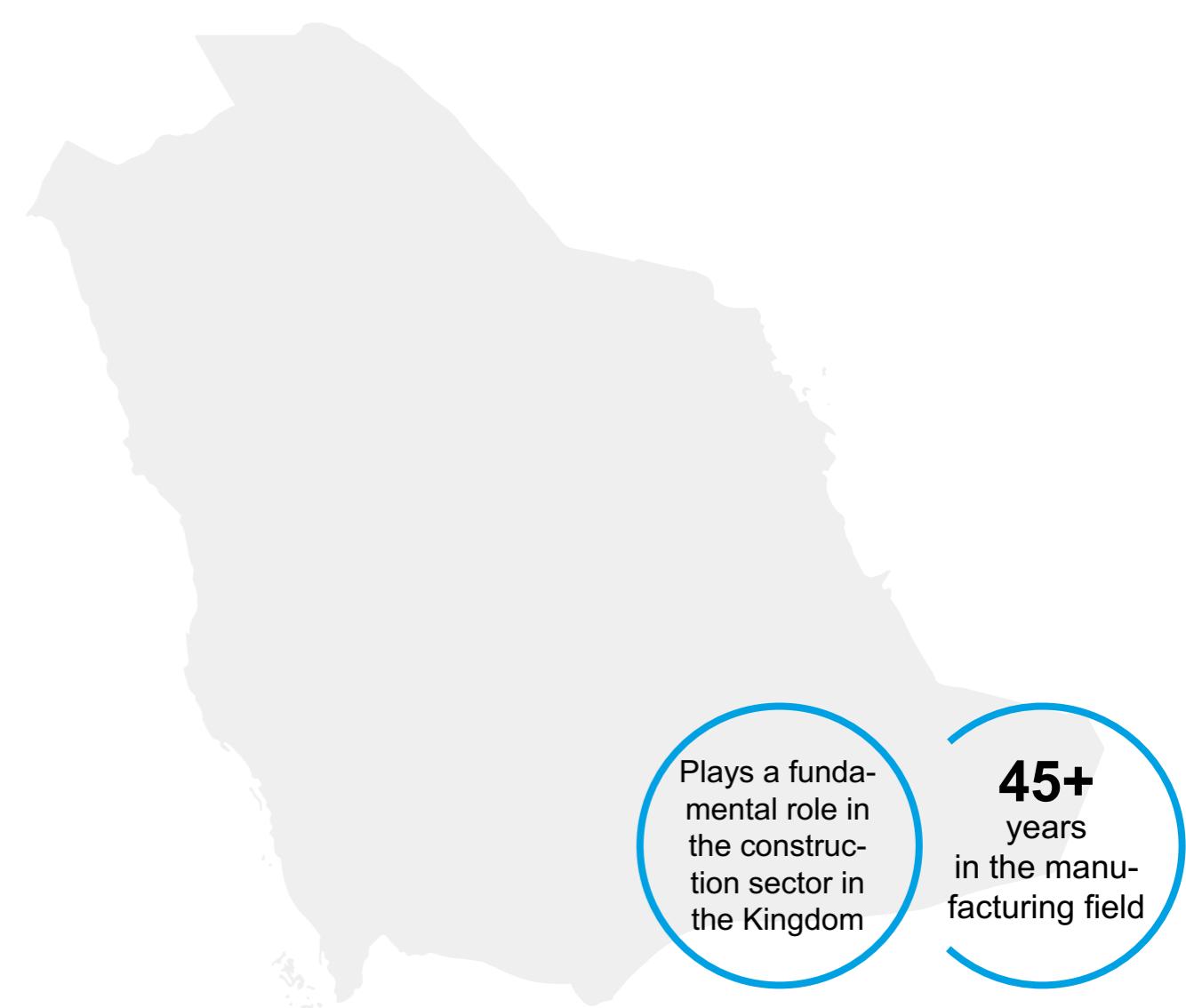
Square meters of Ceramic and Porcelain Production Annually

100 Million

Mixers and Plastic Parts

Saudi Ceramic Company is considered one of the largest industrial companies and a leading company in providing world-class manufacturing solutions. It offers products in ceramics, porcelain, sanitaryware, water heaters, red bricks, and mining.

Saudi Ceramic has over 45 years of experience in the industrial field, which has enabled it to gain leadership in both the local and regional industries. The company has 16 factories equipped with the latest production technologies through automation and digitization of the factories. The company plays a vital role in the construction and building sector in the Kingdom of Saudi Arabia, and has received numerous local and international quality certifications.



Operational Performance

Company Sectors:



CERAMIC &
PORCELAIN



SANITARY
WARE



ELECTRIC
WATER
HEATERS



ACCESSORIES
& COMPONENTS



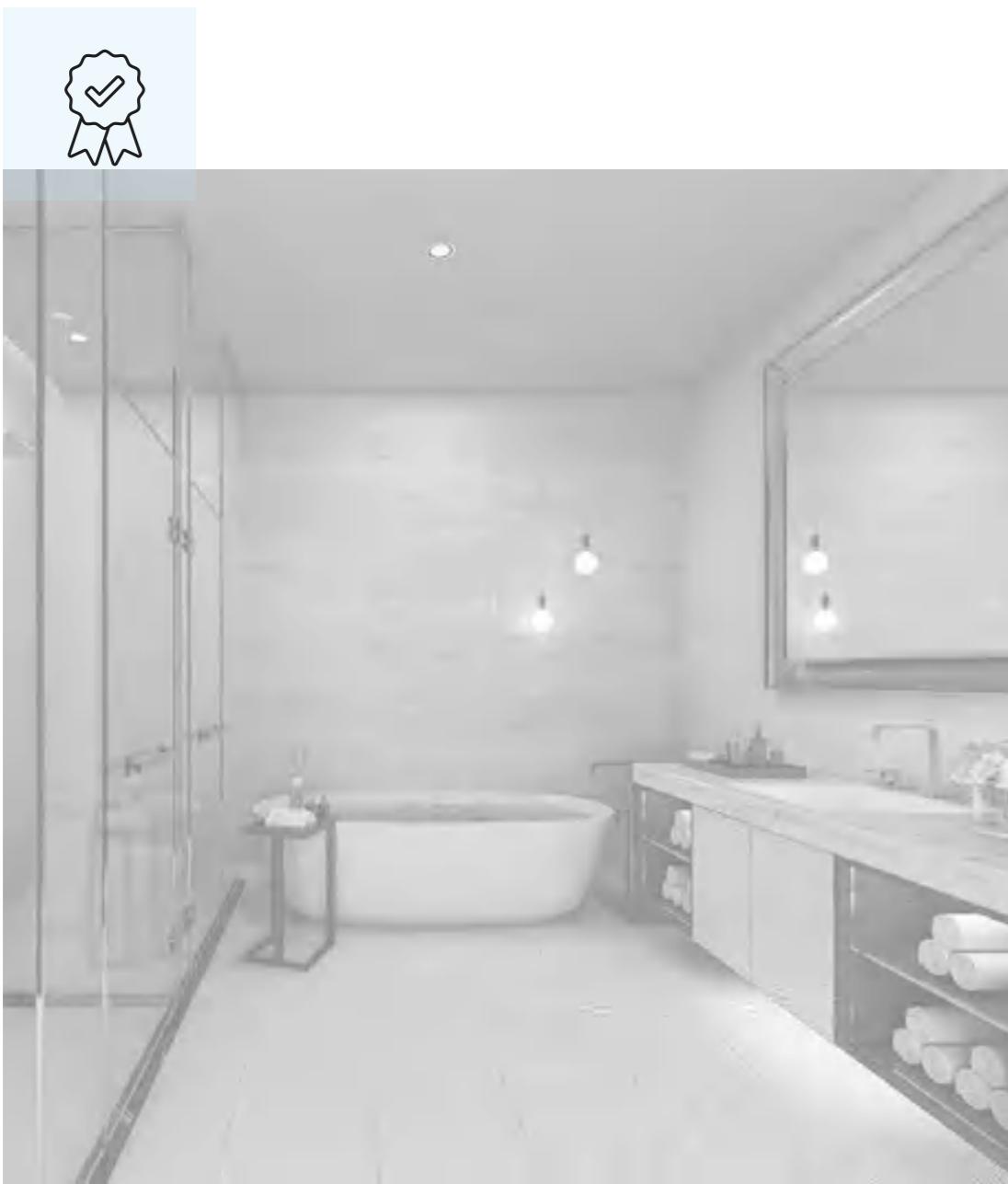
RED
BRICKS
& MINING



CERAMIC
PIPES

Ceramic and Porcelain Sector

Saudi Ceramic Company offers a wide range of glazed ceramic tiles, including wall tiles, floor tiles, swimming pool tiles, and decorative tiles in a variety of sizes and designs. All of these are manufactured in accordance with SASO (Saudi Standards, Metrology, and Quality Organization) and international standards, with a production capacity of 68 million square meters of ceramic annually and more than 5 million decorative tiles pieces annually.



First Tile Factory

Established in
1983

Second Tile Factory

Established in
1995

Third Tile Factory

Established in
2006

Fourth Tile Factory

Established in
2010

First Frit Factory

Established in
1985

Second Frit Factory

Established in
2013

Porcelain Tile Factory

Established in
2024

Sanitaryware Sector

Saudi Ceramic owns the largest sanitaryware factory in the Kingdom, producing a wide range of sanitaryware products.

A diverse range of luxury sanitaryware is produced in a variety of colors and modern designs. The production capacity is 3 million sanitaryware pieces annually.

First Sanitaryware Factory

Established in
1977

Second Sanitaryware Factory

Established in
2016

Water Heaters Sector

Saudi Ceramic Company is considered the third-largest producer in the world of water heaters of all types, including solar and central heaters. In addition to various sizes of vertical and horizontal water heaters, with a production capacity of 2 million water heaters annually.

First Water Heaters Factory

Established in
1995

Second Water Heaters Factory

Established in
2009



Other Sectors

Red Bricks

Part of the company's manufacturing activity, it is one of the latest red brick factories in the region, with a production capacity of 30 million bricks annually.

30 Million
Bricks produced
annually



Desert Mines

The company has a mining arm that helps it achieve integration in the manufacturing process. In 2008, the company established this arm under the name 'Desert Mines', and it has expanded to supply all of the company's factories as well as other companies' factories by increasing local and international demand for several materials such as feldspar.

The company established the Desert Mines arm in **2008**

Plastic and Complements

It is one of the sectors that complements the company's various industries in order to achieve manufacturing integration. The company also added a water faucet production line to increase production diversity.

Saudi Ceramic Company and the Ceramic Pipes Factory

In 2015, Saudi Ceramic participated in the establishment of the Ceramic Pipes Company with the aim of manufacturing ceramic pipes used in the infrastructure of construction and residential projects. The production capacity is 40,000 tons annually of ceramic pipes.

Quality



“We are committed to achieving the highest quality standards in all operational and technical processes and delivering products that align with the company's vision and legacy”

Since its establishment, the company has placed great emphasis on product quality to achieve operational performance standards that ensure establishing the name of Saudi Ceramic as a product that meets the highest standards with regional and international certifications.

Indicators of Excellence

All materials used are tested with high precision to ensure their suitability and compliance with all specifications.

Saudi Ceramic Company incorporates the latest technologies by working on automating the factories to ensure improved operational efficiency and enhance product quality. The company also focuses on attracting professional talents to further guarantee its quality assurance.



High Precision



Latest Technologies

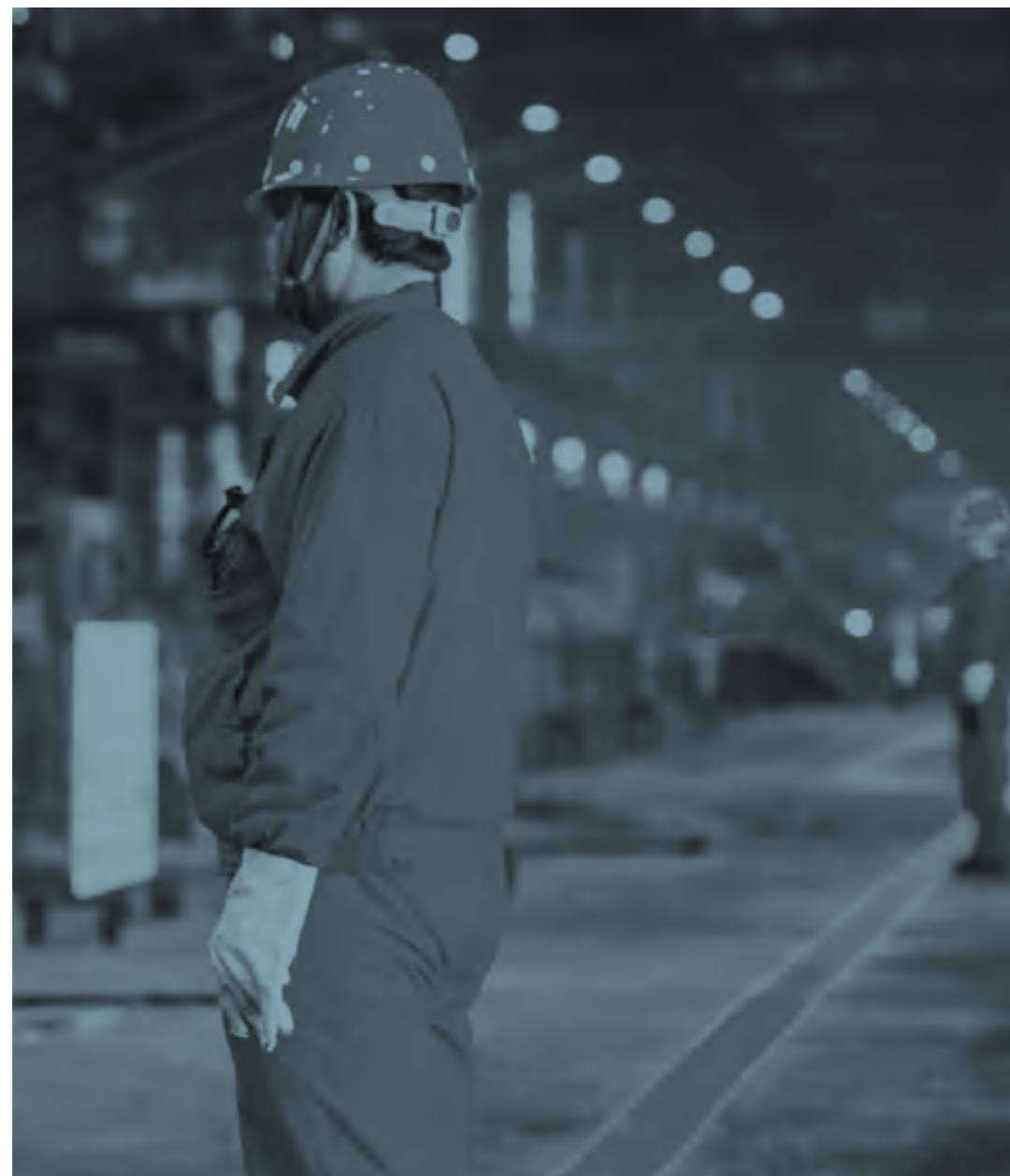
Local Quality Certifications:

- Winning the King's Award for the Ideal Factory twice
- Saudi Quality Mark from the Saudi Standards, Metrology, and Quality Organization (SASO) for all products.
- Energy Efficiency Certificate and Label (EEL) from SASO for electric water heater products.
- Water Conservation Certificate and Label (WEL) from SASO for sanitaryware products.

International Quality Certifications:

- ISO 9001-2015 Certification
- European Conformity Mark (CE)
- Emirates Quality Mark
- Gulf Conformity Mark (G-MARK) for electric water heater products.





Industrial Security and Safety

Saudi Ceramic Company places the highest priority on industrial safety and security. The company's management is committed to minimizing risks by ensuring the safety of workers, promoting occupational health, and taking all necessary preventive measures to reduce accidents, thus protecting lives and property.



To achieve this, the company is committed to the following:

- The basic principles for applying occupational safety and health, based on identifying and mitigating risks.
- The occupational safety regulations in force in the Kingdom of Saudi Arabia, as well as the company's internal regulations.
- Proper qualification and training, enhancing awareness, and providing the necessary procedures and tools for employees to optimally apply the occupational safety and health management system.
- Continuous improvement to develop the systems and procedures of the occupational safety and health management system.

Business Sector

- Sales
- Company Sales Channels
- Expansion and Prosperity
- E-commerce
- Recent Projects Contributed to by Saudi Ceramics
- Key Milestones in 2024

Business Sector

Sales

The strategic plan of Saudi Ceramics Company is to reach the largest possible customer segment effectively by diversifying its sales channels through wholesale sales to major distributors and project sales that meet the needs of both the public and private sectors. The company is also expanding in the retail sector through 63 showrooms under the name of Saudi Ceramics Company, located in 33 cities and provinces, bringing the company closer to customers and offering modern and unique product designs. In addition, the company has an export channel outside the Kingdom.

The company has also focused on enhancing online sales and has signed agreements with several global e-commerce platforms to make its products widely available, ensuring accessibility for all customers and achieving growth in sales. The presence of these sales channels has contributed to strengthening the company's market presence and increasing its market share locally and regionally.

63
showrooms under
Saudi Ceramics
Company Name

33
cities and
provinces with
showrooms

Company Sales Channels



Retail Showrooms

In 2024, 200,000 customers were served through 63 showrooms across the Kingdom.



Wholesales

This channel is responsible for selling products to major distributors and wholesalers, making it a bridge to enhance distribution.



Projects

Selling products directly to government and private projects.



Export

The export channel plays an important role in enhancing international sales and regional expansion to achieve sales targets.



Ecommerce

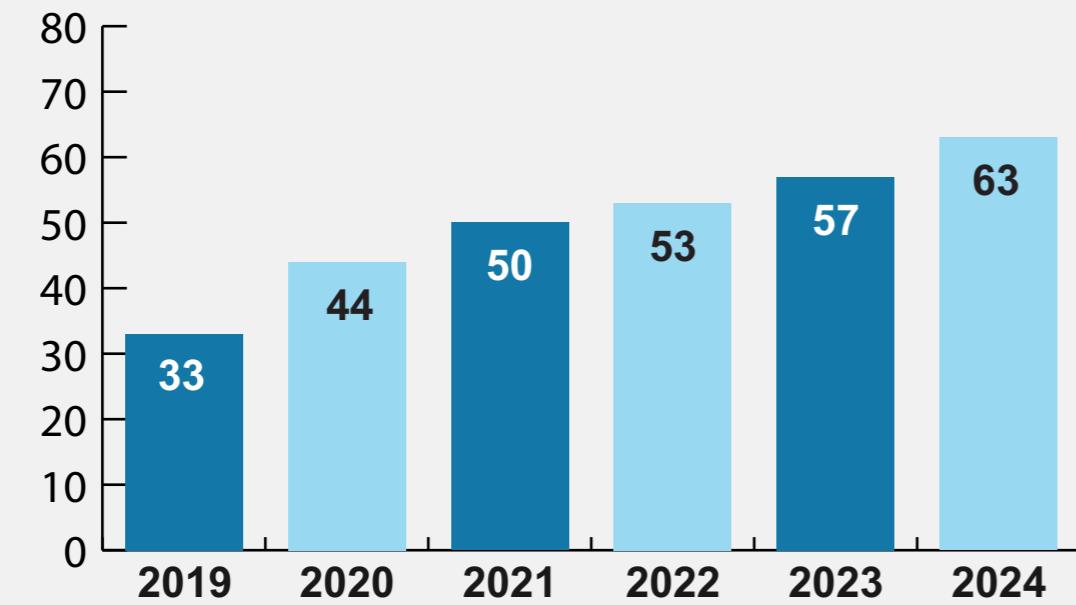
Saudi Ceramic offers the option to purchase its products online through the company's website and mobile applications.

Expansion and Prosperity

Saudi Ceramic Company has increased the number of showrooms by opening new exhibitions in new locations and cities to enhance its presence in the Saudi market. By the end of 2024, the company will have 63 showrooms serving 33 cities within the Kingdom.

The company pays attention to the method and process of displaying products through visual displays and the use of simulation techniques in showrooms, providing an excellent customer experience by easing their journey and meeting all their needs.

Statement of the Increase in Showrooms Over the Years



E-commerce

Our e-commerce channel has witnessed significant growth over the past year, with a notable increase in our digital performance, highlighting the effectiveness of our marketing strategies and our ability to adapt to market changes. Revenues from sales decreased by (-3.37%) compared to the previous year, reflecting our success in executing well-planned marketing campaigns, enhancing the user experience on our digital platforms, and strengthening the strategic presentation of products, all of which contributed to increased customer engagement and enhanced brand loyalty.

Additionally, we witnessed a notable growth of (13.89%) in the number of new customers, highlighting the effectiveness of our strategies in attracting new users and achieving tangible results in customer acquisition. This expansion also reflects our ability to build strong relationships with the targeted audience through directed and effective communication channels.

We have also significantly expanded our product portfolio, adding over 147 new products to meet the diverse needs of our customer base. This strengthens our position as a comprehensive product provider and confirms our ability to innovate and adapt to the changing market demands.

Increase in new customers by

↑ **13.89%**

Compared to (2023)

Increase in customer engagement by

↑ **18.23%**

Compared to (2023)

Increase in the number of new visitors by

↑ **45.7%**

Compared to (2023)

Decrease in sales revenue by

↓ **-3.37%**

Compared to (2023)

Increase in the number of orders by

↑ **15.13%**

Compared to (2023)

Increase in app downloads by

↑ **17%**

Compared to (2023)

Decrease in app sales by

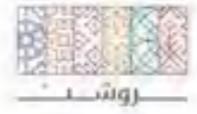
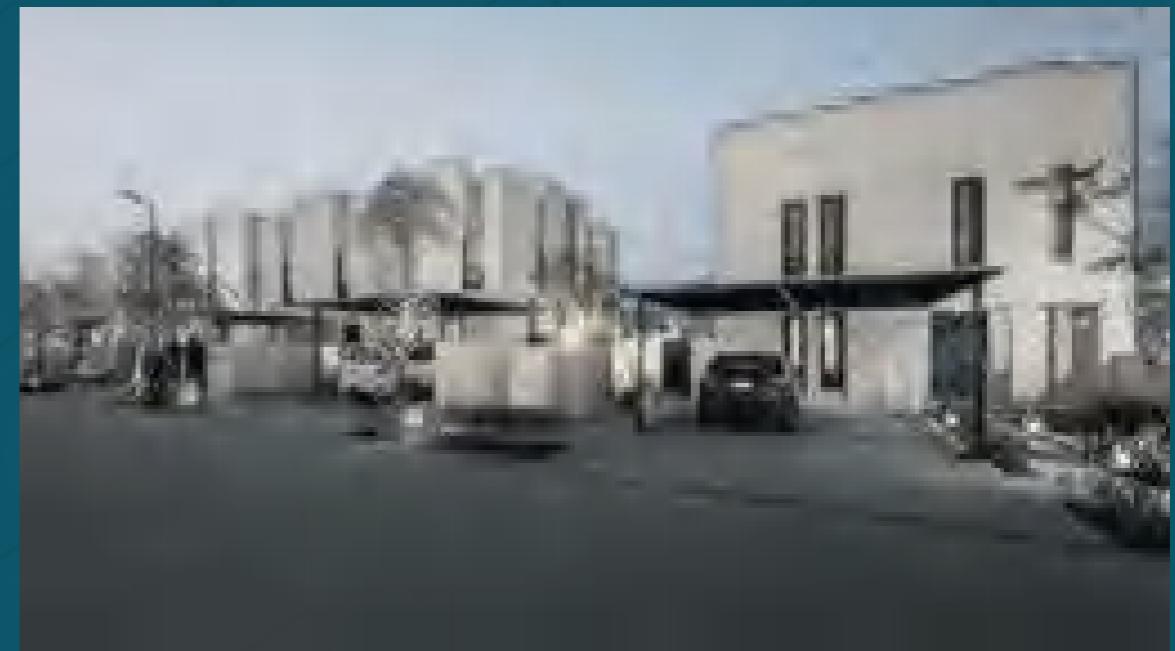
↓ **-10.7%**

Compared to (2023)

These achievements serve as a strong testament to the effectiveness of our efforts in the field of e-commerce, solidifying the position of Saudi Ceramics Company as a leading entity in the digital landscape. As we look to the future, we reaffirm our continuous commitment to enhancing these achievements, with sustainable innovation, and providing an exceptional online shopping experience that meets the expectations of our customers.

Important Projects in which Saudi Ceramic has Recently Contributed

- Saudi Ceramic Company has maintained its leadership in the Saudi market through the wide range of products it offers to its customers, which meet the needs of projects in terms of both quality and sustainability, as well as aligning with modern design styles.
- The government and private sectors have adopted Saudi Ceramic's products, which achieve the highest quality standards compliant with the quality system in Saudi Arabia.
- The sales team continues to supply vital projects in the Kingdom, such as the Al-Fursan neighborhood and Khuzam neighborhood, managed by the National Housing Company, as well as supplying projects for Roshn, such as the Sedra project, Al-Manar project, and other projects.
- There is also interaction with the Red Sea projects being carried out by the company's executive arm, Coastal Contracting Company, while Neom projects are being cooperated with through Nesma Company, Red Sea International Company, and other companies.
- As for Saudi Aramco and its projects, cooperation is ongoing with many companies such as Sinohydro, Larsen & Toubro, and other companies.
- Supply is also ongoing for Salini, which has made new purchase orders for the National Guard Housing project in Riyadh, as well as supply for many companies working in the school sector and the Holy sites.
- What truly distinguishes Saudi Ceramic and enhances customer trust is the genuine warranty that reflects after-sales services for all products.





"Export sales achieved a 3% increase compared to the year 2024"

Important Milestones during the Year 2024



Added New Customers



New contracts in new markets



**13 new clients,
bringing the total number to 53**



Added 4 new countries for export

Geographical distribution of the showrooms in the Kingdom of Saudi Arabia

- Warehouses and logistics operations
- Supply chains
- Digital transformation and automation

Warehousing and Logistics Operations

Warehouse management and deliveries are considered fundamental pillars that contribute to achieving operational efficiency and ensuring the continuity of daily operations to meet sales targets. In 2024, the company served over 200,000 customers.

The company is also seeking to expand and open new sales outlets and warehouses, which will contribute to the wider distribution of the company's products and faster delivery of goods to customers. This will positively impact the quality of service provided to customers and increase their satisfaction.



Supply chains

A

Achievements of the Raw Materials and Spare Parts Procurement Department:

1

Supply Sources:

- Reducing the number of sole suppliers for key raw materials to 2 out of the total number of suppliers.
- Continuous efforts to find alternative suppliers from different regions of the world to avoid the Red Sea crisis.
- Increasing the local content percentage by localizing a large number of spare parts and raw material purchases.

2

Finished Goods Cost:

- Reducing procurement costs is considered one of the most important factors in improving sales by significantly lowering the cost of the finished product. Despite the global rise in fuel and energy prices, our focus on price reductions remains a top priority. In cases where reductions are not possible, price stabilization becomes the next step.
- Maintaining overall price levels lower than those of 2023, despite the global geopolitical challenges facing supply chains.

3

Inventory Control:

- Reducing the purchase order issuance time from an annual average of 62 days in 2022, an annual average of 44 days in 2023, to an average of 16 days for the current year 2024 to date, which helps in reducing the inventory level.

Supply Chains

B

Logistics Department:

We operate amidst the current challenges facing maritime trade, such as rising shipping costs, container shortages, and delays in scheduled timelines.

1

Improving Operational Performance:

- Diversifying supply sources to reduce reliance on a single supplier or specific geographic area to avoid disruptions or delays caused by geopolitical crises.
- Improving the efficiency of negotiations for shipping costs.
- Negotiating with partners and suppliers to reduce the impact of rising shipping costs.

2

Reducing Cost:

- Reducing transportation and shipping costs by optimizing delivery routes or negotiating with shipping agents.

3

Innovation and Technology:

- The real-time shipment tracking system is being implemented through the system.

4

Training and Development of Staff:

- Organizing training programs for employees to obtain the required certifications to improve efficiency.

Digital Transformation and Automation

“The company has implemented a series of initiatives and measures aimed at enhancing service levels and customer satisfaction by providing high-value products, as well as technological solutions that offer services quickly and easily. Additionally, the company focuses on direct communication with our customers and improving our products and services”

In 2024

Saudi Ceramics Company has made periodic updates to the general system of S4/HANA to fully automate and enhance operations, ensuring work efficiency both internally within the company between departments and employees, as well as externally with external systems. This enables full utilization of the system by all concerned parties.

Several programs have been developed to achieve the company's vision and adopt the best technological practices, including

- Digital Transformation of Procurement Systems (AR-IBA): Through automating purchasing processes and registering over 650 suppliers in the system, ensuring operational efficiency.
- Activation of Digital Transformation for Water Heater Factories (Industry 4.0): Through analyzing and improving productivity, energy efficiency, and production management
- Implementation of the E-Invoicing System (E-Invoice Platform - Phase 3): Aimed at developing sales processes, whether in showrooms, exports, or e-commerce sales, by applying all standards and requirements of the Zakat, Tax, and Customs Authority.
- Development of the Customer Service System and Delivery Calendar: By partnering with Shipsy, the company has facilitated customer order deliveries and improved location accuracy to enhance work efficiency.
- Return System (Customer Refund): Development of an easier product return system for customers, allowing direct returns with a representative at the showroom, simplifying the process and reducing approvals by more than 80%.
- Start of Paperless Operations Automation: The company began converting all administrative processes into fully electronic procedures across all departments

Marketing, Business Development, & Human Capital



Marketing

"The Marketing Department is responsible for designing, developing, and implementing strategies and plans aimed at building and strengthening the company's brand. These responsibilities include accurately identifying the target audience, understanding their needs and desires, and crafting effective marketing messages that align with those needs. Additionally, these efforts involve selecting the appropriate marketing channels that enable effective audience reach and help achieve the desired objectives."

- 1 We focus on improving communication and interaction methods with customers to ensure a smooth and efficient experience, while maintaining our commitment to continuously assessing their satisfaction and using this data to improve our services.
- 2 We are committed to introducing our services and products to the target market through innovative marketing campaigns that highlight our competitive advantages and the exceptional value that distinguishes our brand in the market.
- 3 We place great importance on after-sales services, working to provide quick and effective solutions that align with customer needs, ensuring a long-term relationship with them.

- 4 We are dedicated to developing comprehensive marketing strategies that enhance our brand positioning through innovative designs and high-quality products, as well as improving advertising techniques to increase reach to our target audience.
- 5 We ensure constant and continuous presence across all media and advertising platforms to expand our brand's reach and increase engagement with both local and international audiences.
- 6 We actively participate in local and international exhibitions to strengthen and expand our customer base, achieve sustainable growth, and directly engage with the market to explore new opportunities.
- 7 New marketing techniques are being developed by eliminating high-cost printed materials and replacing them with modern display screens that allow for remote control and management.
- 8 We aim to enhance customers' understanding of Saudi Ceramic Company culture and history, while fostering effective engagement and connection between customers and the company, contributing to building a strong and sustainable relationship with them.
- 9 Excellence and distinction we design a brand identity that reflects luxury and high quality while targeting a wider segment of customers looking for premium products at competitive prices, enhancing competitiveness and increasing market share.

Business Development

In 2024, the Business Development and Planning Department at Al Khodari Saudi Company achieved a number of significant milestones that enhanced performance efficiency and contributed to sustainable growth. Among the most notable achievements are:

1. Achieving High Accuracy in Production Planning:

- The accuracy of production planning for all company products has exceeded 99%, leading to improved order fulfillment and waste reduction.
- This accuracy has contributed to reducing finished goods inventory by more than 300 million Saudi Riyals, lowering storage costs and increasing working capital efficiency.

2. Collaboration with Italian Companies for Design Development:

- The company has collaborated with leading Italian firms to design and develop more than 500 new ceramic designs, catering to all sales channels.
- This initiative has helped meet market demands and strengthened the company's position in maintaining its market share.

3. Development of Sanitary Ware and Water Heaters, and Launch of New Products:

- Several sanitary ware models have been developed to meet customer requirements in both the local and export markets.
- Achievements also include the launch of multiple new water heater models, enhancing the company's presence in domestic and international markets.

These achievements reaffirm the management's commitment to innovation and achieving integration between planning and development, ensuring the company's leadership in all its sectors and enhancing its competitiveness.

500+

Design for Wholesale Customers in Tile Products

99%

Precision in Production Planning

300+ Million

Reduction in Finished Goods Inventory

Human Capital

Saudi Ceramics Company believes that human capital is one of the key factors contributing to the company's success, development, and achievement of strategic goals. Therefore, the company continues to enhance its human capital strategy, focusing on training and employee development to ensure sustainable performance and create a diverse and inclusive work environment that fosters growth and innovation for all employees.

Employee Development Programs

The HR Department is dedicated to enhancing employee skills through the design and implementation of various training and development programs. These programs aim to empower employees, helping them maximize their potential and improve both individual and collective performance in alignment with the company's strategies and objectives.

Saudization

Localization is one of the core pillars of the company's strategy. The HR Department has worked to increase employment opportunities across all sectors of the company, providing a stimulating work environment while attracting, training, and developing Saudi employees across multiple fields.

Digitization and Process Development

The HR Department has integrated and updated automation technologies within the corporate platform, enhancing and developing its systems. This allows both company departments and employees to efficiently execute required services and operations, minimizing human errors and accelerating process execution.

Regulatory Policy Framework

The Human Resources (HR) Department ensures the continuous development and updating of policies and procedures to align with the company's strategies and adapt to ongoing legal changes related to employment. These policies are communicated through internal channels such as the company's portal, electronic bulletins, and training programs, ensuring they are clear and well understood by employees at all levels.



Performance Evaluation and Incentives

Performance evaluation is a fundamental tool in human capital management. The HR Department has developed modern performance evaluation programs to ensure fair employee assessments and support their development and empowerment to achieve the company's strategic goals.

The evaluation program is designed to continuously motivate employees throughout the year by linking performance assessments to incentive programs, bonuses, and compensations based on employees' achievements across all company sectors, including sales, production, and support departments.



Financial Performance

- Overview of Financial Performance
- Summary of 2024 Results
- Key Financial Indicators
- Main Activities
- Subsidiaries
- Financial and Accounting Systems
- Loans
- Financial Statements

General Overview of Financial Performance

In 2024, the company reduced its net losses to 79.3 million SAR, compared to 237.5 million SAR in the previous year. The company also achieved a slight increase in sales of 3%, with net sales reaching 1,349 million SAR in 2024, compared to 1,315 million SAR in the previous year. This was accompanied by an increase in gross profit margins from 18% to 19%, driven by higher sales volumes in the tile and sanitary ware sectors, despite a decline in average selling prices due to intense market competition.

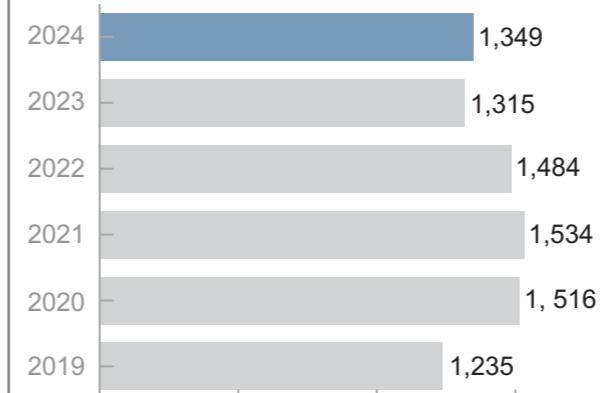
The main reason for the company's net loss of 79.3 million SAR was due to non-cash losses, including a decline in property, plant, and equipment in the red brick sector and a decline in assets of its subsidiary, Saudi Ceramics for Pipes, totaling 51 million SAR. Additionally, inventory provisions of 44 million SAR were recorded. Furthermore, selling and distribution expenses increased due to higher transportation costs caused by rising fuel prices at the beginning of 2024.

The previous year (2023) was affected by a 165 million SAR loss due to the impact of a fire in one of the company's factories and an asset impairment loss of 78 million SAR for the subsidiary Saudi Ceramics for Pipes.

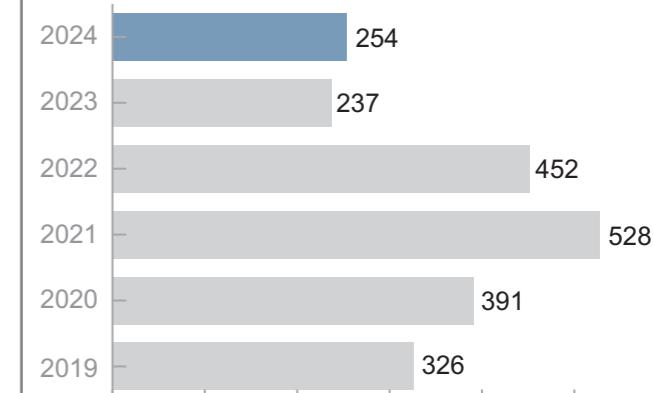


2024 Results Summary

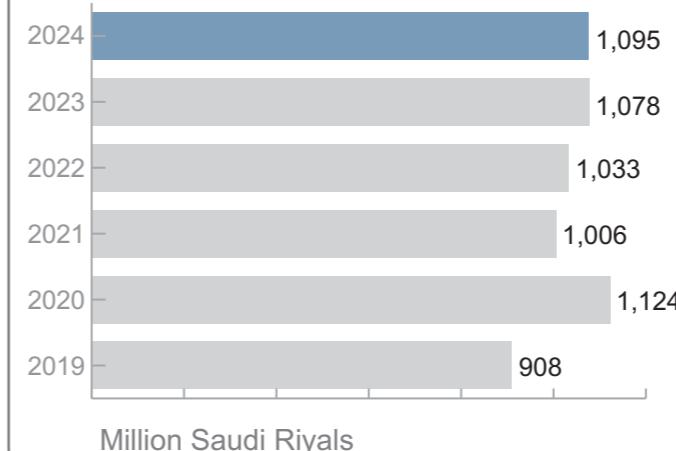
Revenue



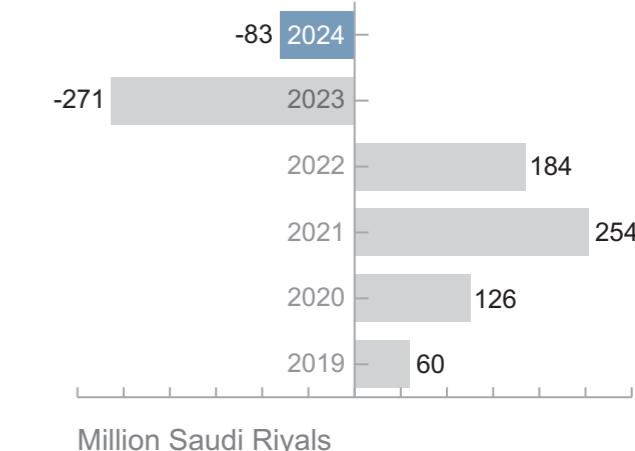
Gross Profit



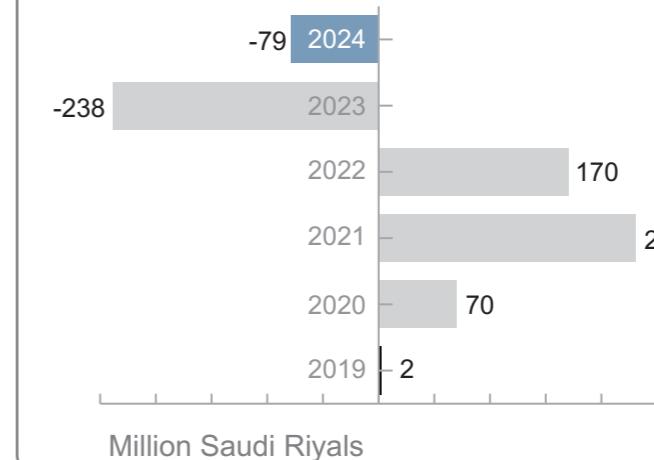
Cost of Revenue



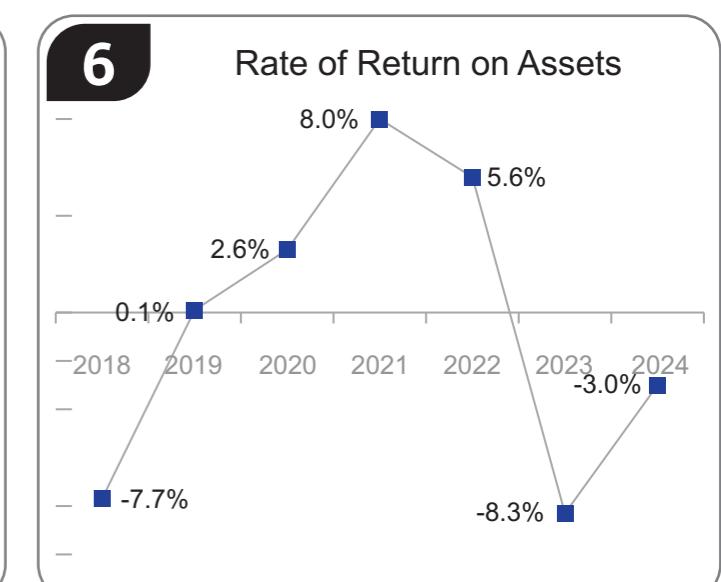
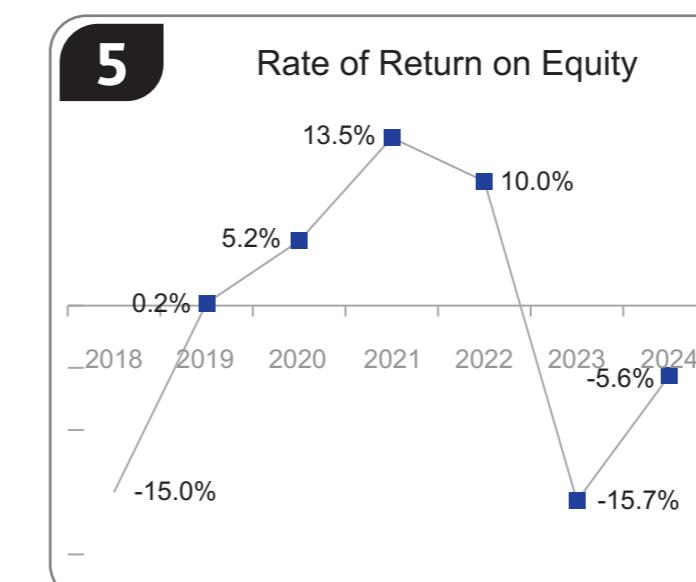
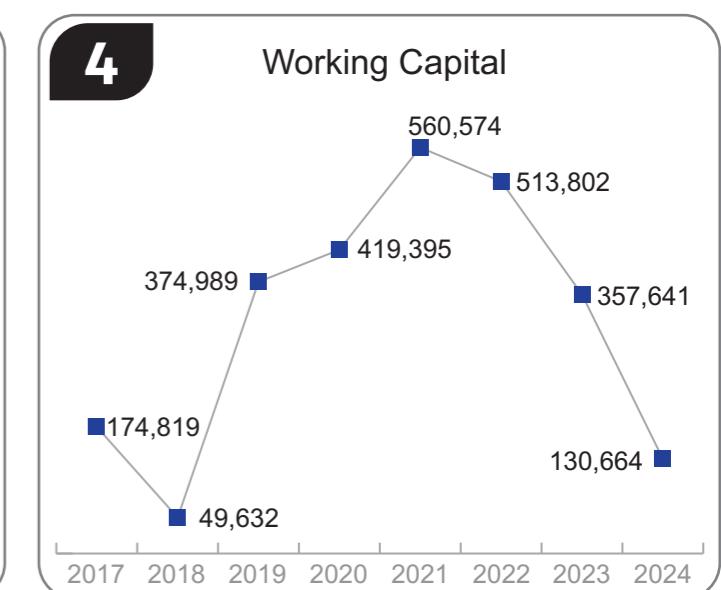
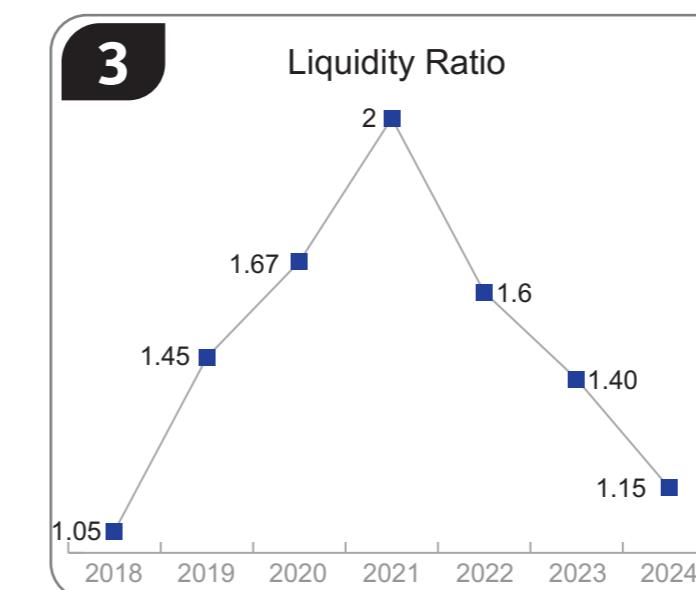
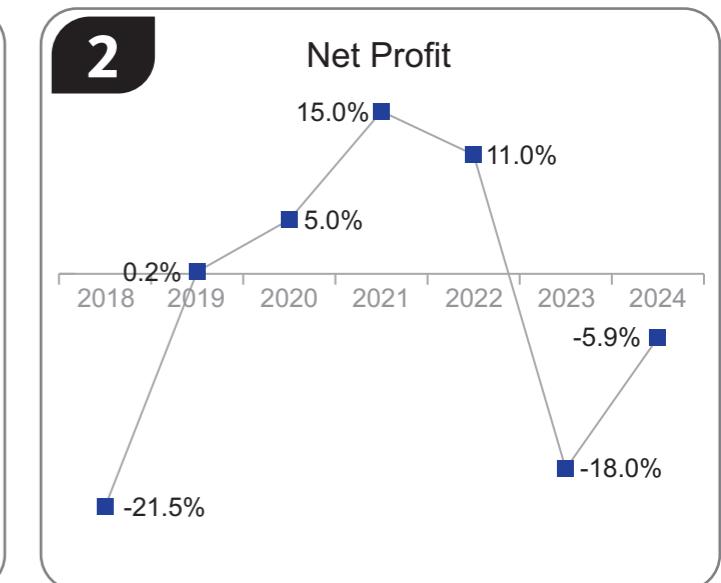
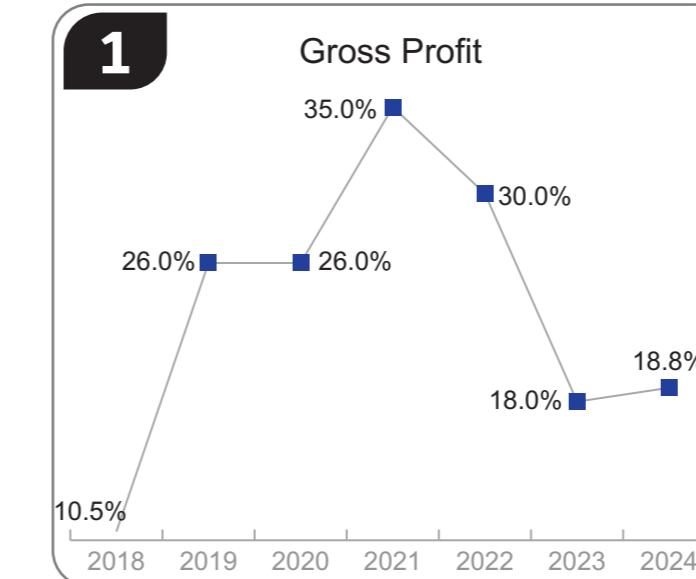
Operating Loss



Net Profit or Loss



Key Financial Indicators



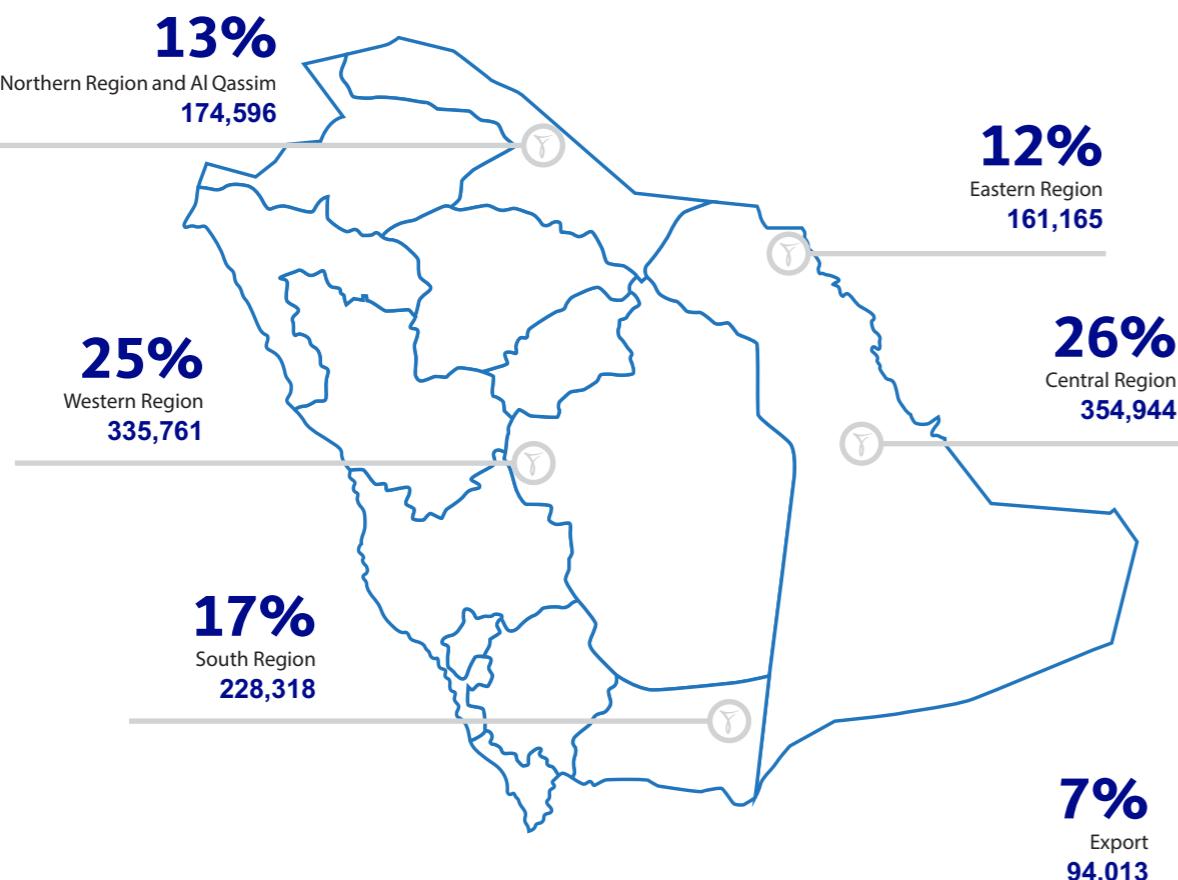
Main Activities

Main activities in the company's business volume and their contribution to results.

Activity	Manufacturing and Retail	Activity
Percentage	98.3%	1.7%
Activity Revenue	1,326 million SAR	23 million SAR

Geographical Analysis of the Company and its Subsidiaries' Revenues

In thousand Saudi Riyals



Subsidiaries

1 Ceramic Pipes Company



شركة الخزف لأنابيب
Ceramic Pipes Company



Saudi Ceramics for Pipes Company (CPC) was established in 2007 as a Saudi closed joint-stock company under the Ministry of Commerce and Industry's decision No. 257/Q, dated October 30, 2007, with Commercial Registration No. 1010241426 and an Industrial License for the production of clay pipes, fittings, and accessories to meet local and international market demand.

2 Arzan Operations and Maintenance Company



ARZAN

The company's activities include general contracting for buildings, maintenance, cleaning, and operation of residential and commercial buildings, vehicle maintenance and repair services, and the purchase, sale, management, and development of real estate and land for the company's benefit. Currently, the company operates to serve the purposes of its parent company, Saudi Ceramics Company.



3 Saudi Ceramics Company Investment Company



The company's activities include wholesale and retail trade in ceramic products, water heaters and their components, faucets, plastic products, siphon units, toilet seat covers, ceramic and plastic pipes of all types and sizes, elbows and connectors, and all types of clay roof tiles. It is also engaged in the import, export, and wholesale and retail trade of machinery, equipment, devices, and tools

- The company has not yet commenced its operations



The company continues to develop financial and accounting procedures and mechanisms in line with growth and performance improvements while ensuring the enhancement of the internal control system.



The company remains committed to fulfilling the Capital Market Authority requirements and complying with all regulations to ensure the protection of stakeholders and investors.



Strengthening the integration between financial operations, compliance management, internal audit, and risk management aims to enhance the internal control system.



The company continues to attract national talents and increase Saudization rate in financial and accounting positions. The financial management team is also working on developing a Key Performance Indicators (KPIs) system to improve employee efficiency and achieve the company's goals and vision.

Declaration:

The company has not announced any financial forecasts for the year 2024

Zakat & Tax Status

We inform you that the Zakat and tax position (Value Added Tax - VAT) of Saudi Ceramic Company as of December 31, 2024, is as follows:

First: Zakat Status - Saudi Ceramic Company

The company has submitted Zakat declarations to the Zakat, Tax, and Customs Authority (ZATCA) for the years up to 2023 and has obtained the necessary certificates for those years. The company has completed its Zakat assessment up to 2022, and no Zakat assessments have been received for 2023.



In 2024, the company received final Zakat assessments for the years 2021 and 2022 from ZATCA, with Zakat differences totaling 3.9 million SAR. The management accepted the final assessment, and the amount was paid in 2024.

Saudi Ceramics Company for Pipes – Subsidiary Company

Saudi Ceramics Company for Pipes Company has completed its Zakat assessments up to 2018 and has submitted Zakat declarations to ZATCA for all years from 2019 to 2023, obtaining the required certificates for those years. No Zakat assessments have been issued for 2019 to 2022 up to the date of this report.

Second: Value Added Tax (VAT)

ZATCA conducted an audit of the VAT declarations for 2023. The company provided all required data and documents to the authority and held several meetings to present its position regarding the VAT declarations for 2023. ZATCA closed the audit without making any amendments to the 2023 tax declarations, confirming that there are no additional VAT liabilities.

Credit Facilities

Below is a statement detailing the long-term and short-term loans obtained by the company and its subsidiaries as part of their operations and regular activities.

First: Long-Term Loans and Credit Facilities

(A) Saudi Industrial Development Fund (SIDF) Loan

The company has previously secured long-term loans from the Saudi Industrial Development Fund (SIDF) to finance expansions in the ceramic and porcelain tile factories, sanitary ware, electric water heaters, and the red brick factory project. These loans were secured by mortgaging the fixed assets of these factories.

(B) Loans from Other Government Entities

The company has signed agreements with several government entities to finance working capital, aiming to support its operational activities.

(C) Loans from Other Local Commercial Banks

During the year, the group obtained long-term Islamic Murabaha and Tawarruq credit facilities from local commercial banks to enhance the financing of projects under execution, specifically for developing production lines.

Movement of Long-Term Loans and Credit Facilities (Amounts in Thousands)

Lending Institution Name	Balance as of January 1, 2024	Loan Term	Net Loan Proceeds During the Year	Net Loan Repayments During the Year	Balance as of December 31, 2024
Saudi Industrial Development Fund (SIDF)	149,850	Long-Term	79,343	(114,850)	114,343
Local Commercial Banks	343,097	Long-Term	176,326	(362,649)	156,774
Government Banks	-	Long-Term	49,877	-	49,877
Total	492,947		305,546	(477,499)	320,995
Financial Charges Due					8,996
Total Long-Term Credit Facilities as of December 31, 2024				329,990	

A. The group obtained credit facilities from the Saudi Industrial Development Fund (SIDF) to finance the expansion of the new porcelain tile factory. These facilities will be repaid in variable instalments, starting on Rabi' al-Thani 15, 1447 AH (October 7, 2025) and ending on Shawwal 15, 1454 AH (January 17, 2033). The group's credit facilities from SIDF are secured by mortgages on the company's properties, factories, and machinery, equivalent to the value of the outstanding credit facilities.

B. During the year, the group obtained long-term Islamic Murabaha financing amounting to 50 million SAR annually (2023: 0 million SAR) to finance working capital.

C. The group also obtained long-term Murabaha and Tawarruq Islamic loans from local commercial banks, with the utilized portion of these facilities amounting to 156 million SAR by the end of 2024 (2023: 348 million SAR) to finance factory expansions. These credit facilities are secured by promissory notes in favor of the local banks. The loan fees and charges are determined based on the Murabaha and Tawarruq agreements, with repayments made in quarterly installments until July 22, 2027. These loans bear financial charges based on the IBOR rate plus a 0.9% annual margin.

Loan Terms – Long-Term Loans

The above-mentioned loans and credit facilities include certain conditions requiring the group's compliance with financial ratios and other specified requirements. As of December 31, 2024, the group remained compliant with these conditions.

Short-Term Loans and Credit Facilities:

The group obtained short-term credit facilities amounting to 405.8 million SAR (2023: 279.9 million SAR) to finance working capital, with an average interest rate equivalent to SIBOR + 61. These loans represent Islamic Murabaha and Tawarruq facilities granted to the group by local commercial banks and the Saudi Industrial Development Fund (SIDF), with a one-year maturity period. The financing charges for these credit facilities are determined based on market rates, and the bank facilities are secured by promissory notes provided by the group in Saudi Riyals.

Movement of Short-Term Loans and Credit Facilities (Amounts in Thousands)

Lending Institution Name	Balance as of January 1, 2024	Loan Term	Net Loan Proceeds During the Year	Net Loan Repayments During the Year	Balance as of December 31, 2024
Local Commercial Banks	278,715	Short-Term	617,330	(493,747)	402,298
Saudi Industrial Development Fund (SIDF)	-	Short-Term	49,999	(49,433)	566
Total	278,715	Short-Term	667,329	(543,180)	402,864
Financial Charges Due					2,991
Total Short-Term Credit Facilities as of December 31, 2024				405,855	

Loan Terms – Short-Term Credit Facilities

The short-term credit facilities mentioned above include certain conditions requiring the group's compliance with financial ratios and other specified requirements. As of December 31, 2024, the group had met all conditions, except for the Debt Service Coverage Ratio (DSCR) requirement for a 45 million SAR short-term loan from a local financial institution.

Financial Statements

1. Statement of Financial Position

ITEM	2019	2020	2021	2022	2023	2024
Assets						
Current Assets						
Bank Balances and Cash on Hand	100,231	68,689	109,646	69,590	63,754	42,296
Trade Receivables	351,160	327,178	293,558	275,341	286,865	263,174
Inventory	752,118	646,607	731,481	957,439	900,259	704,580
Derivative Financial Instruments	-	-	-	6,647	-	-
Assets Held for Sale	-	-	-	-	8,955	72
Total Current Assets	1,203,509	1,042,474	1,134,606	1,309,017	1,259,833	1,010,122
Non-Current Assets						
Non-Current Financial Assets	6,952	7,746	7,987	7,421	7,816	7,877
Property, Plant, and Equipment	1,705,095	1,623,827	1,640,698	1,611,045	1,513,398	1,546,358
Intangible Assets (excluding Goodwill), Net	510	202	-	-	-	6,285
Investments in Associates	9,001	8,963	9,011	9,054	1,284	-
Other Non-Current Assets	63,994	75,496	71,567	87,532	86,446	105,967
Total Non-Current Assets	1,785,552	1,716,234	1,729,263	1,715,052	1,608,943	1,666,487
Total Assets	2,989,061	2,758,708	2,863,869	3,024,069	2,868,776	2,676,609
Liabilities and Equity						
Liabilities						
Current Liabilities						
Current Portion of Long-Term Loans	292,447	201,171	234,841	220,374	231,376	110,950
Short-Term Loans	221,255	85,045	-	161,225	279,972	405,855
Trade Payables	286,345	297,322	317,675	369,989	333,593	305,622
Zakat Payable	17,923	28,001	22,596	30,180	33,974	10,795
Other Current Liabilities	10,550	11,540	13,902	13,444	23,276	46,256
Total Current Liabilities	828,520	623,079	589,014	795,212	902,191	879,478
Non-Current Liabilities						
Long-Term Loans	588,499	463,789	422,678	282,805	299,230	219,040
Employees' End-of-Service Benefits	78,729	85,370	87,859	90,868	87,620	90,808
Other Non-Current Liabilities	46,262	57,255	52,216	68,712	65,570	62,583
Total Non-Current Liabilities	713,490	606,414	562,753	442,385	452,420	372,431
Total Liabilities	1,542,010	1,229,493	1,151,767	1,237,597	1,354,611	1,251,909

Equity

Shareholders' equity						
Capital	1,000,000	800,000	800,000	800,000	600,000	600,000
Treasury shares	(9,112)	(449)	(2,663)	(3,870)	(11,008)	(11,008)
Legal reserves	-	241,715	241,715	241,715	218,336	218,336
Retained earnings (accumulated losses)	429,053	459,652	707,454	630,112	674,474	599,022
Fair value reserve	3,652	3,591	3,197	3,762	3,521	2,727
Equity attributable to owners of the parent company	1,423,593	1,504,509	1,749,702	1,671,719	1,485,323	1,409,077
Non-controlling interests	1,107	9,656	36,770	40,383	43,892	37,974
Total equity	1,424,700	1,514,165	1,786,472	1,712,102	1,529,215	1,447,051
Total liabilities and equity	2,676,609	2,868,776	3,024,069	2,863,869	2,758,708	2,989,061

2. Income Statement

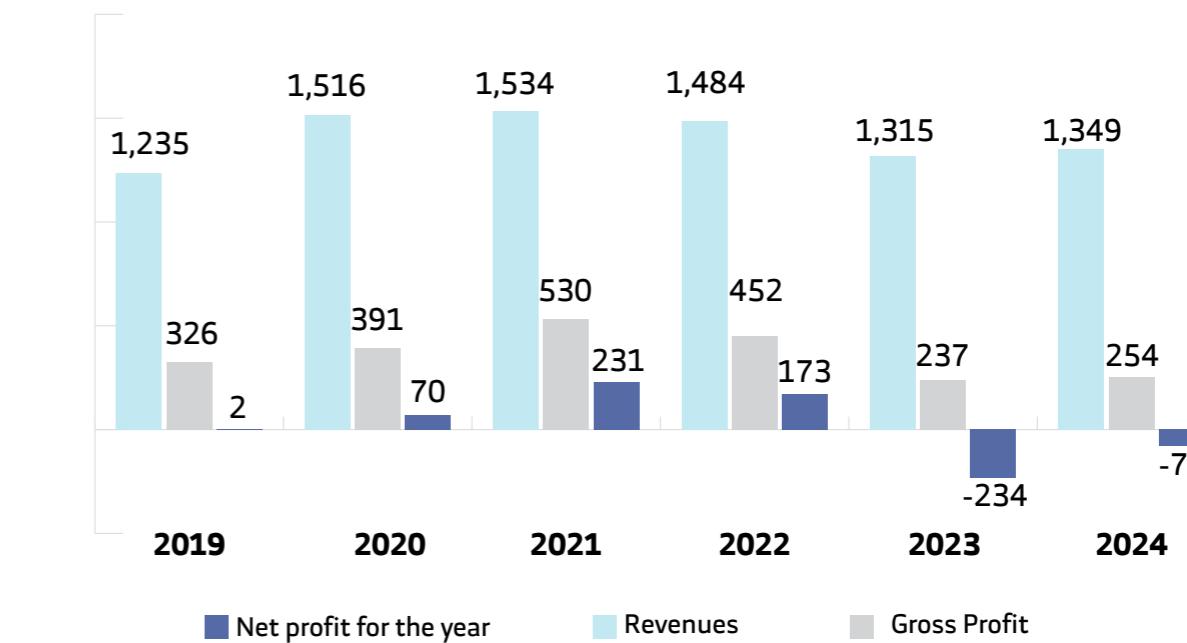
Amounts in Thousand Saudi Riyals

Item	2019	2020	2021	2022	2023	2024
Revenues	1,235,085	1,516,060	1,534,770	1,484,958	1,314,868	1,348,797
Cost of revenue	(908,511)	(1,124,129)	(1,006,509)	(1,032,616)	(1,077,545)	(1,095,053)
Gross Profit	326,574	391,931	528,261	452,342	237,323	253,744
Administrative, general and selling expenses	(265,518)	(254,946)	(271,102)	(265,555)	(259,300)	(292,636)
Impaired loss in inventory and assets to a fire incident	-	-	-	-	(164,843)	-
Allowance for expected credit losses	(667)	(10,345)	(2,883)	(2,037)	(5,499)	4,421
Impairment in property, plant and equipment	-	-	-	-	(78,224)	(51,070)
Provisions for which the purpose has ceased						2,894
Operating profit	60,389	126,640	254,276	184,750	(270,544)	(82,647)
Other income	13,870	19,528	27,661	31,514	97,257	57,617
Finance costs	(53,875)	(44,713)	(23,818)	(22,334)	(42,967)	(46,163)
The group's share of the associate's profits	656	756	444	440	205	-
Net profit before Zakat	21,040	102,211	258,563	194,370	(216,049)	(71,193)
Zakat	(18,569)	(31,723)	(26,784)	(24,115)	(21,470)	(8,059)
Net loss for the year	2,471	70,488	231,779	170,255	(237,519)	(79,252)
Net profit / (loss) attributable to						
Shareholders in the company	7,150	77,700	233,792	173,920	(210,351)	(71,858)
Non-controlling interests	(4,679)	(7,212)	(2,013)	(3,665)	(27,168)	(7,393)

Assets, Liabilities, and Shareholders' Equity from the financial year 2019 to 2024.



Below is a graph of total revenues, gross profit, and net profit for the years from 2019 to 2024



3. Statement of Cash Flows

Amounts in Thousand Saudi Riyals

Item	2019	2020	2021	2022	2023	2024
Net Operating Cash Flow	62,101	406,197	362,707	189,520	135,779	312,931
Net Investing Cash Flow	(8,961)	(34,984)	(135,453)	(87,501)	(181,452)	(181,516)
Net Financing Cash Flow	(917)	(402,755)	(186,297)	(140,972)	39,837	(152,873)
Net Cash Flow	52,223	(31,542)	40,957	(38,953)	(5,836)	(21,458)
Cash and Cash Equivalents at the Beginning of the Year	48,008	100,231	68,689	109,646	69,590	63,754
Cash and Cash Equivalents at the End of the Year	100,231	68,689	109,646	70,693	63,754	42,296

Corporate Governance Framework & Environmental & Social Governance

- Corporate Governance Framework and Shareholders' Rights
- Key Disclosures During 2024
- Shareholders' General Assemblies
- Names of Board Members, Committee Members, and Executive Management, along with Their Current and Previous Positions, Qualifications, and Experience
- Committees Derived from the Board of Directors
- Compensation of Board Members, Board Committees, and Executive Management
- Description of Any Interests of Board Members, Senior Executives, and Their Relatives
- Environment and Sustainable Development
- Related Parties

Corporate Governance

The company is committed to implementing the principles and standards of governance to protect the company, ensure its sustainability, and maximize benefits for stakeholders. Saudi Ceramics Company has established the principle of equal treatment of shareholders, recognizing the importance of protecting their rights and interests in accordance with the corporate governance framework, which guarantees shareholder rights as per regulations and guidelines. This framework promotes positive cooperation between the company and shareholders, aiming to build a successful and sustainable entity while fostering a trust-based relationship built on transparency, credibility, fairness, and equality. Additionally, the company is committed to providing all necessary information that enables shareholders to exercise their rights transparently.

Corporate governance is defined as “the system used to guide and manage the company’s operations.” It outlines how powers and responsibilities are distributed among various corporate bodies, such as the Board of Directors, executive management, shareholders, and other stakeholders. It also establishes the rules and procedures for decision-making within the company. This framework defines the company’s objectives, how to achieve them, and how performance is monitored. The Board of Directors is responsible for establishing and implementing the Corporate Governance Regulations of Saudi Ceramics Company.

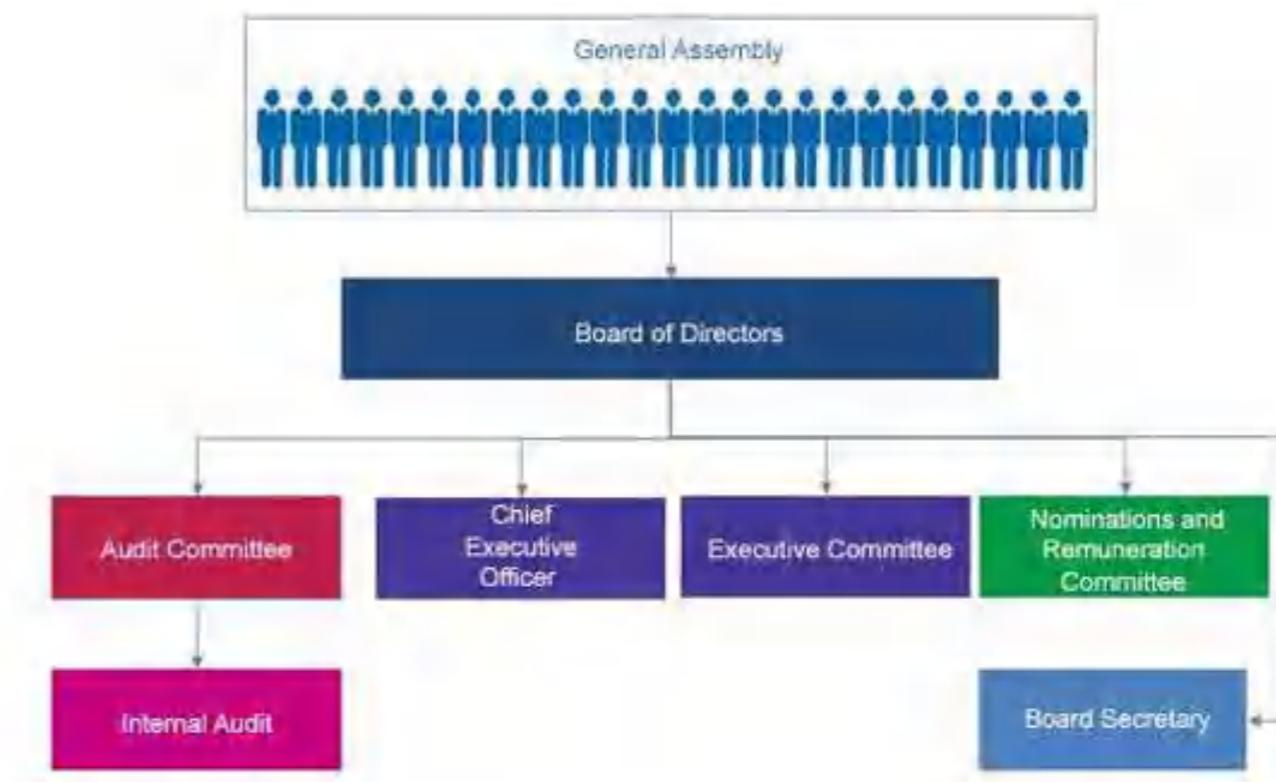
Shareholders play a key role in governance by appointing board members and auditors and ensuring the adoption of an appropriate governance structure. The Board of Directors is responsible for setting the company’s strategic objectives, providing the necessary leadership support, overseeing the management of the company’s operations, and reporting to shareholders in compliance with the Companies Law and Corporate Governance Regulations issued by the Capital Market Authority (CMA).

The Board of Directors’ framework and procedures are governed by laws, regulatory requirements, and shareholder resolutions from the General Assembly meetings. The Corporate Governance Regulations of Saudi Ceramics Company have been prepared in alignment with the CMA’s Corporate Governance Regulations and in accordance with international best practices in corporate governance, serving as the company’s governance framework.

In all governance matters, the following regulatory requirements must be considered, particularly in cases where the Corporate Governance Regulations do not provide specific provisions:

- Regulatory requirements and instructions issued by the Capital Market Authority (CMA) and the Saudi Stock Exchange (“Tadawul”).
- Saudi Companies Law and relevant official circulars issued by the Ministry of Commerce and Investment.
- The Articles of Association of Saudi Ceramics Company

The Board of Directors approves amendments to the Corporate Governance Regulations from time to time or calls for a General Assembly meeting to seek shareholder approval for changes that require their consent. This ensures compliance with regulatory requirements and the adoption of sound governance and management practices.



Shareholders' Rights

• Voting Rights:

The company facilitates shareholders' exercise of their voting rights and avoids any actions that may hinder their ability to vote. The company's Articles of Association stipulate that cumulative voting must be used when electing the Board of Directors.

• Shareholders' Rights to Stock Dividends:

Shareholders are entitled to annual net profits in accordance with the company's dividend distribution policy. This policy is communicated to shareholders during General Assembly meetings.

• Communication with Shareholders and Investors:

The Board of Directors ensures effective communication between the company and shareholders, based on a shared understanding of the company's strategic objectives and interests. The company is committed to fair disclosure by providing accurate and timely information to help investors make informed decisions.

Shareholders are informed about the company's performance and activities through the Board's annual report and are regularly updated on any significant developments that may affect the company's financial position and operations, without compromising its competitive position.

The company adheres to disclosure policies and procedures in compliance with applicable laws, regulations, and instructions. It works to enhance communication channels with both local and foreign investors, actively participating in conferences and periodic meetings.

The Investor Relations Department is responsible for managing investor relations, ensuring effective and equitable communication between the company and shareholders.

• Facilitating Shareholders' Rights and Access to Information:

The company provides all necessary information to shareholders in compliance with disclosure standards, ensuring equal access to information. Shareholders are empowered to exercise their rights fully, with information that is comprehensive, accurate, regularly updated, and disclosed in a timely manner through multiple channels, including: The company's official website, Tadawul (Saudi Stock Exchange) website, Local newspapers, in addition to the company's annual reports.

• Fair Treatment of Shareholders:

The Board of Directors is committed to protecting shareholders' rights, ensuring fairness and equality among them. Both the Board of Directors and Executive Management are committed to avoiding discrimination among shareholders who own shares of the same type and class, ensuring that no rights are denied to any shareholder.

The company's internal policies outline the necessary procedures to ensure that all shareholders can exercise their rights freely and equally.

• Rights Associated with Shares:

The company guarantees shareholders the right to: Attend General and Special Shareholder Assemblies, participate in discussions, and vote on resolutions. Monitor the company's performance and the Board of Directors' actions. Nominate and elect Board members. Request access to a copy of the company's Articles of Association and its internal governance regulations.

Company Capital

As of December 31, 2022, the company's authorized and issued capital is 1 billion SAR (1,000,000,000 SAR), divided into 100 million shares of equal value, with each share valued at 10 SAR. All shares are ordinary shares, and the fully paid-up capital is 1 billion SAR.

The company does not have any preferred shares or shares with priority voting rights, whether for shareholders, Board members, or employees. All company shares are ordinary shares, equal in nominal value and voting rights, and subject to the company's Articles of Association.

Authorized Capital
1,000,000,000 SAR

Issued Capital
1,000,000,000 SAR

Paid-Up Capital
1,000,000,000 SAR

Shareholders Information

Information About Shares	Saudi Ceramic Company
Listing Date	January 15, 1993
Stock Market	Tadawul Saudi Arabia
Stock Symbol	2040
International Stock Code	SA0007879154
Number of Issued Shares	100,000,000 Shares
Market Capitalization as of December 31, 2024	3,420 Million SAR

Saudi Ceramics Shares

As of December 31, 2024, the total number of Saudi Ceramics Company shareholders reached 20,274. Institutional investments accounted for 40% of the total share ownership, while individual investments represented 99.16%.

Shareholders by Type

Shareholder Type	Nº. of Shareholders	Nº. of Shares	Ownership Percentage
Individuals	20,099	60,079,619	60%
Companies	175	39,920,381	40%
Total	20,274	100,000,000	100%

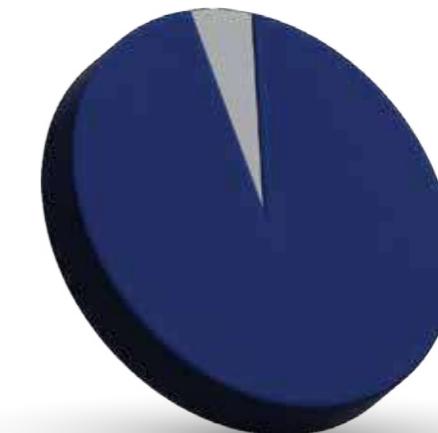
Shareholders by Nationality

Shareholder Nationality	Number of Shareholders	Nº. of Shares	Ownership Percentage
Saudi Arabian	18,959	90,420,974	90.4%
GCC Countries	16	102,065	0.10%
Other Nationalities	1,299	9,476,961	9.5%
Total	20,274	100,000,000	100%

* Saudi Ceramics Company has downloaded shareholder reports from Tadawul a total of 4 times during the 2024 fiscal year for internal company procedures and General Assembly purposes.

Major Shareholders Holding 5% or More as of December 31, 2024:

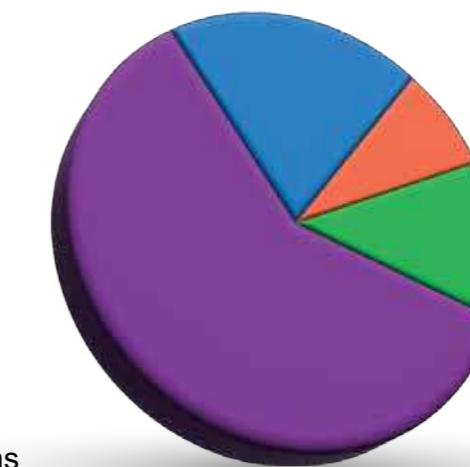
- 94.6% ● Public Investment Fund (PIF)
- 5.4% ● Other Shareholders



Ownership Structure by Shareholder Type as of December 31, 2024

Ownership percentage

- 60% ● Individual Investors
- 20% ● Corporate and Institutional Investors
- 12% ● Government Entities
- 8% ● Investment Funds & Financial Institutions
- 0% ● Non-Profit Organizations



Treasury Shares

In 2019, the company purchased 500,000 treasury shares following the Extraordinary General Assembly Meeting held on February 12, 2019, to allocate shares to senior employees as an incentive program to improve performance and achieve strategic goals. The program officially commenced at the end of 2020 and ran for three years until December 31, 2023. By the end of this period, the company had transferred most of the treasury shares to employees, with 34,021 shares remaining valued at 449,000 SAR as treasury shares.

On June 26, 2024 (Dhul-Hijjah 20, 1445 AH), the Extraordinary General Assembly approved the purchase of up to 320,000 treasury shares to be allocated to the employee stock incentive program. During Q3 ending September 30, 2024, the company purchased 285,979 shares valued at 8,663,839 SAR, with an average price of 30.29 SAR per share. As of December 31, 2024, the total treasury shares amounted to 320,000 shares, valued at 9.1 million SAR. For the year ending December 31, 2024, the company did not distribute any treasury shares to employees.

Dividend Distribution

Company's Dividend Distribution Policy:

(A) Profit Sharing

According to Article (45) of the company's Articles of Association, the company's net profits shall be distributed annually as follows:

1. The Ordinary General Assembly, based on the Board of Directors' recommendation, may allocate a percentage of net profits to form a voluntary reserve designated for specific purposes.
2. The General Assembly may decide to create additional reserves as needed to serve the company's interests or ensure a stable dividend distribution to shareholders whenever possible.
3. The General Assembly may deduct a portion of the net profit to establish or support social organizations for employees.
4. In accordance with Article 25 of the company's Articles of Association and Article 76 of the Companies Law, a portion of the remaining distributable profit may be allocated, if available, as remuneration for Board members, provided that the compensation aligns with the number of meetings attended by each Board member.
5. The remaining profits shall be distributed to shareholders, with a minimum of 5% of the paid-up capital allocated as dividends.
6. The remaining amount may be distributed as additional dividends or retained as reserves, as decided by the Ordinary General Assembly, based on the Board of Directors' recommendation.
7. The General Assembly may approve the annual, semi-annual, or quarterly distribution of dividends and may authorize the Board of Directors to make such distributions. Dividends will be paid at locations and times specified by the Board of Directors, in accordance with the Capital Market Authority (CMA) regulations.
8. The General Assembly approves the dividend distribution and the payment date. Dividends, whether cash or stock-based, shall be granted to shareholders listed in the Securities Depository Center records at the close of the trading session on the day of the General Assembly meeting.
9. Declared dividends from the General Assembly or the Board of Directors (interim dividends) will be paid to eligible shareholders within 15 business days from the date of the decision.

The Board of Directors reviews the dividend distribution policy annually and submits recommendations to the General Assembly based on an evaluation of the company's financial position and available investment opportunities.

(B) Cash Dividend Distribution Over the Last Five Years

Each shareholder is entitled to a portion of the profits, in accordance with the Board of Directors' decision on interim dividends or the General Assembly's resolution, as per the company's Articles of Association. The Board or General Assembly resolution specifies the entitlement date and payment date, and shareholders recorded in the shareholders' register by the entitlement date are eligible to receive dividends.

The table below outlines dividend distributions to shareholders over the past five years:

No.	Announcement Date	Entitlement Date	Payment Date	Dividend Per Share
1	23/02/2023	2022/03/14	28/03/2023	0.5
2	23/02/2023	14/03/2023	28/03/2023	0.5
3	13/07/2022	01/08/2022	14/08/2022	0.5
4	17/02/2022	21/02/2022	03/03/2022	0.75
5	27/07/2021	01/08/2021	15/08/2021	0.75
6	29/12/2016	19/04/2017	08/05/2017	1

Although the company aims to maintain its historical practice of annual cash dividend distributions, there are no guarantees that dividends will be distributed on a continuous basis. Similarly, there are no guarantees on the expected dividend value or percentage each year.

Dividend distributions are approved or recommended by the Board of Directors based on the dividend policy, considering factors such as: Profits achieved - Cash flows - Capital investments - Future outlook. Additionally, financial stability and the company's financial position are carefully assessed before dividend distributions.

There are no arrangements or agreements under which any of the company's shareholders have waived their rights to dividends.

Key Disclosures During 2024

The company discloses material developments, financial data, and significant events in accordance with transparency and disclosure regulations, presenting them to shareholders, investors, and stakeholders. During the fiscal year ending December 31, 2024, Saudi Ceramics Company announced several important events directed at its shareholders. Below is a summary of these events, classified by announcement date.

No.	Announce- ment Date	Announcement Title
1	January 4	Saudi Ceramics Company announces receiving a notice regarding fuel price increases for production use.
2	January 10	Supplementary announcement from Saudi Ceramics Company regarding the notice of fuel price increases for production use.
3	January 29	Saudi Ceramics Company announces the latest developments in establishing a new porcelain tile production factory.
4	February 11	Clarification announcement from Saudi Ceramics Company regarding the signing of an agreement with Roshn.
5	March 17	Saudi Ceramics Company announces the latest developments regarding the signing of a Memorandum of Understanding (MoU) with Eczacıbaşı Yapı Gereçleri A.Ş (EYAP).
6	March 24	Saudi Ceramics Company announces annual financial results for the fiscal year ending December 31, 2023.
7	March 24	Saudi Ceramics Company announces the Board of Directors' recommendation to increase the company's capital through bonus shares.
8	April 4	Saudi Ceramics Company announces the Board of Directors' recommendation to transfer the company's statutory reserve to retained earnings.
9	April 4	Saudi Ceramics Company announces the Board of Directors' recommendation to purchase up to 320,000 shares for allocation to the company's long-term incentive plan.
10	May 8	Saudi Ceramics Company announces its preliminary financial results for the period ending March 31, 2024 (three months).
11	June 5	Saudi Ceramics Company announces an invitation to shareholders to attend the Extraordinary General Assembly Meeting (first meeting) regarding the company's capital increase.
12	June 27	Saudi Ceramics Company announces the results of the Extraordinary General Assembly Meeting (second meeting), which included approval of the company's capital increase.
13	June 27	Saudi Ceramics Company announces the latest developments on the new porcelain tile production factory.
14	July 24	Saudi Ceramics Company announces the deposit of proceeds from the sale of fractional shares resulting from the capital increase into the accounts of eligible shareholders.
15	July 30	Saudi Ceramics Company announces its preliminary financial results for the period ending June 30, 2024 (six months).
16	September 4	Saudi Ceramics Company announces the results of its share buyback transaction (completion of the share repurchase process).
17	October 13	Saudi Ceramics Company announces the latest developments regarding the signing of a Memorandum of Understanding (MoU) with Eczacıbaşı Yapı Gereçleri A.Ş (EYAP).
18	October 28	Saudi Ceramics Company announces its preliminary financial results for the period ending September 30, 2024 (nine months).
19	November 14	Saudi Ceramics Company announces the opening of nominations for the company's Board of Directors for the upcoming term.
20	November 18	Supplementary announcement from Saudi Ceramics Company regarding the opening of nominations for the company's Board of Directors for the upcoming term.

Shareholders' General Assemblies

Shareholders' General Assembly Meetings

During the fiscal year 2024, the Extraordinary General Assembly Meeting of shareholders, which included approval of the company's capital increase (second meeting), was held on Wednesday, Dhul-Hijjah 20, 1445 AH (June 26, 2024) via modern technology platforms, following the completion of the legal quorum required for the validity of the meeting in accordance with the company's Articles of Association.

This meeting was convened based on an invitation from the Board of Directors addressed to the company's shareholders, which was announced on the Saudi Stock Exchange (Tadawul) website on June 5, 2024 (Dhul-Qi'dah 28, 1445 AH). The meeting was attended by the following Board Members:

1	Mr. Yousuf bin Saleh Aba Al-Khail - Chairman of the Board	2	Mr. Abdulaziz bin Abdulkarim Al-Khuraiji – Vice Chairman of the Board Members
3	Mr. Muhammed Abdulmohsin Al-Qurainees - Board Member and Chairman of the Nominations and Compensation Committee	4	Eng. Majed bin Abdullah Al-Issa – Board Member
5	Eng. Mutaib bin Mohammed Al-Shathri – (PIF) Board Member	6	Mr. Sami bin Ibrahim Al-Issa – (General Organisation for Social Insurance) Board Member
7	Mr. Asim bin Saad Al-Juraid – (General Organisation for Social Insurance) Board Member	8	Mr. Majed bin Mohammed Al-Dakheel – Board Member and Member of the Audit Committee

The General Assembly Meeting was officially convened after achieving the required legal quorum for the validity of the Extraordinary General Assembly Meeting. The shareholder attendance and ownership breakdown for the meeting were as follows:

Number of Shareholders	Number of Shares	Ownership Percentage
470	27,602,825	34.50 %

As a result, the General Assembly Meeting was deemed valid and compliant with the Companies Law and the company's Articles of Association.

General Assembly Items	
1	Review and discuss the Board of Directors' Report for the fiscal year ending December 31, 2023.
2	Vote on the Auditor's Report for the fiscal year ending December 31, 2023, after discussion.
3	Review and discuss the Financial Statements for the fiscal year ending December 31, 2023.
4	Vote on discharging the Board of Directors from liability for the fiscal year ending December 31, 2023.
5	Vote on authorizing the Board of Directors to distribute cash dividends on a quarterly/semi-annual basis for the fiscal year 2024.
6	Vote on authorizing the Board of Directors with the powers of the Ordinary General Assembly as stated in Paragraph 1 of Article 27 of the Companies Law for a period of one year from the date of the General Assembly approval or until the end of the delegated Board term, whichever comes first, in accordance with the provisions of the Executive Regulations of the Companies Law for Listed Joint Stock Companies.
7	Vote on the Employee Share Program and authorize the Board of Directors to determine its terms, including the share allocation price for employees, if applicable.
8	Vote on the company's repurchase of up to 320,000 shares to be allocated to employees under the Employee Share Program, with the purchase financed from the company's own resources. Authorize the Board of Directors to complete the share purchase within 12 months from the date of the Extraordinary General Assembly resolution. The company will hold the repurchased shares for up to three years, after which it will follow regulatory procedures for unallocated shares. (Applicable if Item 7 is approved).
9	Vote on amending the company's Articles of Association to comply with the new Companies Law (attached).
10	Vote on amending the Audit Committee Charter (attached).
11	Vote on amending the Nominations and Remuneration Committee Charter (attached).
12	Vote on transactions and contracts between the company and Natural Gas Distribution Company (a related company), in which Board Member Eng. Majid bin Abdullah Al-Issa has an indirect interest as a representative of the company. The business activity involves purchasing and distributing natural gas to factories in the Second Industrial City of Riyadh, with transactions valued at SAR 39.4 million in 2023. These transactions were conducted under prevailing commercial terms without preferential treatment (attached).
13	Vote on transactions and contracts between the company and Natural Gas Distribution Company (a related company), in which Board Member Eng. Majid bin Abdullah Al-Issa has an indirect interest as a representative of the company. The business activity involves profit distributions related to gas purchasing, with transactions valued at SAR 508,000 in 2023, conducted under prevailing commercial terms without preferential treatment (attached).
14	Vote on transactions and contracts between the company and Saudi Ceramics for Pipes (a subsidiary company), in which Board Member Eng. Majid bin Abdullah Al-Issa has an indirect interest as a representative of the company. The business activity involves manufacturing and selling clay pipes, with transactions valued at SAR 25.5 million in 2023 related to loans and debt settlements, conducted without special terms or preferential benefits.
General Assembly Items	
15	Vote on transactions and contracts between the company and Saudi Ceramics for Pipes (a subsidiary company), in which Board Member Eng. Majid bin Abdullah Al-Issa has an indirect interest as a representative of the company. The business activity involves manufacturing and selling clay pipes, with transactions valued at SAR 1.5 million in 2023 related to product sales, conducted without special terms or preferential benefits.
16	Vote on transactions and contracts between the company and Chubb Arabia Cooperative Insurance Company, in which Vice Chairman Abdulaziz bin Abdulkarim Al-Khuraiji has an indirect interest as a Board Member of Chubb Insurance. The transactions involved an insurance policy valued at SAR 1.07 million in 2023, conducted under prevailing commercial terms without preferential treatment.
17	Vote on appointing the company's external auditor from the nominated candidates, based on the Audit Committee's recommendation, to audit and review the financial statements for Q2, Q3, and the annual report of 2024, as well as Q1 of 2025, and determine their fees.
18	Vote on transferring the company's entire statutory reserve amounting to SAR 241,714,802 (as reflected in the financial statements for the fiscal year ending December 31, 2023) to retained earnings.
19	<p>Vote on the Board of Directors' recommendation to increase the company's capital through the issuance of bonus shares to shareholders by capitalizing SAR 200,000,000 from retained earnings, as follows:</p> <ul style="list-style-type: none"> • Company's capital before the increase: SAR 800,000,000, divided into 80,000,000 shares. • Company's capital after the increase: SAR 1,000,000,000, divided into 100,000,000 shares. • Total capital increase amount: SAR 200,000,000. • Capital increase percentage: 25%. • Purpose of the capital increase: The company aims to raise its capital to align with its business volume, assets, and future expansion plans. • Method of capital increase: The capital will be increased by capitalizing SAR 200,000,000 from retained earnings, granting one (1) bonus share for every four (4) shares owned. • Entitlement date: If approved, the entitlement date will be the end of the trading session on the Extraordinary General Assembly date, with registered shareholders at the Saudi Securities Depository Center (Eadaa) at the end of the second trading day following the meeting being eligible. • Fractional shares handling: In the event of fractional bonus shares, all fractional shares will be aggregated into a single portfolio and sold at market price, with the proceeds distributed proportionally among eligible shareholders within 30 days from the share entitlement determination date. • If approved, Article 7 of the company's Articles of Association (regarding capital) will be amended. • If approved, Article 8 of the company's Articles of Association (regarding share subscription) will be amended.

Shareholders' Register

Number of Requests for the Shareholders' Register, Their Dates & Reasons for 2024

No. of company orders for shareholders' register	Request Date	Reason
1	January 24	Company Procedures
2	April 24	Company Procedures
3	June 26	General Assembly
4	November 24	Company Procedures

Investor Relations

Investor Relations Activities

The Board of Directors recognizes the importance of regular and open dialogue with shareholders and other stakeholders throughout the year, not just before the General Assembly meeting. The Investor Relations Department and the Board Secretary serve as the primary communication link between the company, shareholders, investors, and analysts.

The Board of Directors receives regular updates on shareholder feedback, suggestions, and concerns regarding the company's performance and operations through the Investor Relations Department and the Board Secretary.

The CEO informs the Board Members of shareholders' opinions and proposals and discusses them during Board meetings.

A. Communication with Our Shareholders

- The company is committed to maintaining active and continuous communication with all shareholders, ensuring consistency and clarity in disclosure practices at all times. The company seeks to engage with shareholders transparently and regularly to facilitate a mutual understanding of corporate objectives. It strives to engage with both public and private sector investors and encourages all shareholders to participate in the Annual General Meeting (AGM).

The company aims to be among the leading firms in its sector and is committed to achieving high levels of disclosure and transparency in its financial reports, whether quarterly or annual financial statements.

The company is dedicated to ensuring all financial and strategic communications are accessible through an open and structured approach, using both Arabic and English where possible to enhance clarity in disclosures and provide a fair, balanced, and transparent evaluation of the company's position and future prospects.

The company welcomes constructive feedback and suggestions from shareholders, which can be submitted to the Investor Relations Department via email at invest@saudiceramics.com.

Recognizing the importance of effective shareholder communication, the company is committed to making constructive use of the AGM by facilitating direct engagement between the Board of Directors and shareholders to discuss opinions and respond to inquiries.

The company encourages shareholders to actively participate in the AGM by attending and voting, either in person or by proxy. To enhance shareholder participation in the AGM, the company implements the following measures:

- Appropriate arrangements to encourage a larger number of shareholders to attend, including setting a convenient time and location.
- Ensuring the availability of Board Members, Executive Management, and External Auditors at the AGM.
- Providing shareholders with reasonable opportunities during the AGM to ask questions related to agenda items, including inquiries directed to the external auditor regarding the audit process and financial report.
- The company may convene the General Assembly using modern technologies.
- Encouraging shareholders to vote electronically on AGM agenda items via the Tadawulat Services Portal.
- Encouraging shareholders to appoint proxies to attend and vote on their behalf in case of inability to attend the meetings personally.

Board Composition

The Board of Directors consists of eight members, elected by the General Assembly of Saudi Ceramics Company through cumulative voting based on the Nominations and Remuneration Committee's recommendation for a term not exceeding four years, renewable as per the updated Articles of Association. Non-executive members make up the majority of the Board, with at least three independent members.

The Board Members elect a Chairman and Vice Chairman for a four-year term, and all Board Members, including the Chairman and Vice Chairman, are eligible for re-election. In the event of a Board seat vacancy, the Board may appoint a temporary Board Member, subject to approval at the next General Assembly meeting.

The current Board of Directors was elected by the General Assembly through cumulative voting for a three-year term starting from April 1, 2022, and will remain in office until March 31, 2025.

The table below provides details of Board Members, their roles, memberships in other listed companies, and their attendance records at Board meetings in 2024. These meetings were pre-scheduled, and the Chairman did not receive any requests from two or more Board Members for emergency meetings during 2024.

- Names of Board Members, Committee Members, Executive Management, Their Current and Previous Positions, Qualifications, and Experience

- Board Members:

Name	Current Positions	Previous Positions	Qualifications	Experience
Yousuf Bin Saleh Aba Al-Khail	<ul style="list-style-type: none"> - Chairman and Member of the Board of Directors of several companies - Chairman of the Executive Committee at Saudi Ceramics Company - Chairman of the Board of Directors at Arabian Cement Company - Chairman of the Board of Directors at GIG Insurance - Chairman of the Board of Directors at Saudi Ceramics Company - Member of the Advisory Committee at Capital Trust - Chairman of the Board of Directors at Arabian Pipes Company - Member of the Executive Committee at Arabian Pipes Company 	Chairmanship and Membership of Board of Directors of Listed and Unlisted Companies:	Master of Science in Information Systems Management	<p>He worked at the National Information Center as a Computer Analyst and Information Network Officer for 15 years.</p> <p>He has also participated in chairing and being a member of joint-stock companies and their sub-committees.</p>
Asim Bin Saad Al-Juraid	<ul style="list-style-type: none"> - Digital Quality Manager at the General Organization for Social Insurance - Head of Application Development Division at the General Organization for Social Insurance - Project Manager at the General Organization for Social Insurance 	General Manager of Business Solutions at the General Organization for Social Insurance	Master's degree in Information Technology Management from Saint Ambrose University	<p>He worked at the General Organization for Social Insurance in various technical and administrative fields, starting with the development of financial systems, followed by supervisory oversight, project management, application development, digital quality, and finally managing the portfolio of registration and subscription solutions products. These products include those for establishments, contributors, subscriptions, and collections.</p>

Name	Current Positions	Previous Positions	Qualifications	Experience
Abdulaziz Bin Abdulkarim Al-Khuraiji	<ul style="list-style-type: none"> - Chief Executive Officer at Al-Khreiji Investment Company - Board Member, Managing Director, and Chairman of the Executive Committee at Tashb Arabian Cooperative Insurance Company - Board Member and Member of the Risk Committee at Bidaya Home Finance Company - Board Member and Member of the Compensation and Nominations Committee at Saudi Ceramics Company - Chairman of the Board of Directors at Al-Sada Sports Community Company 		Bachelor's degree in Management from King Fahd University of Petroleum and Minerals	Participation in chairing and membership of several companies.
Sami Bin Ibrahim Al Issa	General Manager of Internal Audit – General Organization for Social Insurance	General Manager of Financial Control – General Organization for Social Insurance	Executive Master of Business Administration (EMBA)	<p>General Manager of Internal Audit at the General Organization for Social Insurance from January 2012 until the present.</p> <p>General Manager of Financial Control at the General Organization for Social Insurance from June 2010 to December 2011.</p> <p>Manager of Financial Control Department at the General Organization for Social Insurance from July 2008 to June 2010.</p>
Mutaib Bin Mohammed Al-Shathri	Director of Private Equity Funds Management Public Investment Fund (PIF)	Saudi Aramco Management Consulting	Master of Business Administration (MBA) from Harvard University	<p>Secretary of the Monitoring Committee at the General Organization for Social Insurance since 2012 until the present.</p> <ul style="list-style-type: none"> - Saudi Aramco – Management Consulting from 2008 to 2013 - Riyadh International Food Company – Strategic Office from 2015 to 2017 Public Investment Fund – Saudi Investments from 2018 to the present.

Name	Current Positions	Previous Positions	Qualifications	Experiences
Majed Bin Mohammed Al-Dakheel	Executive Vice President – Financial Sector Social Development Bank	Deputy General Manager of Financial Control and Planning Saudi Investment Bank	Bachelor of Science in Accounting King Saud University	More than 21 years in banking.
Mohammed Bin Abdulmohsin Al-Qurainees	Chief Executive Officer of Investment at Asilah Investment Company	-	Bachelor's degree in Chemical Engineering from Kuwait University	Distinguished practical experience in the field of investment and corporate boards, having previously worked in portfolio management and equities at several investment companies, including Leading Investments Company, Jadwa Investment, and HSBC Arabia. He also held the position of Head of the Local Equities Department at Al Ahli Capital. He has obtained numerous courses and training in administrative and financial fields
Majed Bin Abdullah Al-Issa	Chief Executive Officer of Sadr Logistics Services Company	Chief Executive Officer of Batik Investment and Logistics Company Chief Executive Officer of National Gypsum Company Director of the Opportunity Development and Investment Fund at Saudi Basic Industries Corporation (SABIC) Chief Executive Officer of Saudi Ceramics Company Head of Department at the Industrial Development Fund	Bachelor's degree in Chemical Engineering from King Saud University in 2000 Master's degree in Industrial Management from the University of Cambridge, United Kingdom, in 2002 Fellowship from the Institute of Management Accountants (IMA), USA, in 2011 Certificate in Mergers and Acquisitions from the Mergers and Acquisitions Experts Organization, USA, in 2014	<ul style="list-style-type: none"> Chief Executive Officer, Board Member, and Executive Committee Member at Saudi Ceramics Company from 2020 to 2023. Chief Executive Officer of Batik Investment and Logistics Company from 2019 to 2020. Chief Executive Officer, Board Member, and Executive Committee Member at National Gypsum Company from 2016 to 2019. Manager of the Opportunity Development and Investment Fund at SABIC from 2013 to 2016. Industrial Development Fund, Saudi Arabia, from 2000 to 2013.

Experience of External Committee Members

Ahmad bin Suleiman Al-Muzaini
Member of the Audit Committee

Qualifications:

Master's Degree in Public Administration

Experience:

Founder and Principal Consultant at Quality & Time Consulting

- Co-Founder at Sand Business Services
- Board Member at Saudi Fisheries Company
- Co-Founder and Executive Partner responsible for the Financial Consulting Sector at Team One
- Financial Accounting Manager at Bank Albilad (Saudi Joint Stock Company)
- Organizational Development Manager at the Saudi Commission for Tourism and National Heritage
- Executive Vice President for Finance and Support Services at Arjaan Projects Company
- Deputy General Manager for Finance and Support Services at Sasco.

Abdulaziz Al Sheikh
Member of the Audit Committee

Qualifications:

Master's degree in Financial Management

Experience:

- Member of the Audit Committee for several listed joint-stock companies
- General Manager at Middle East Consulting
- Chief Executive Officer of a Development Company
- General Manager of Corporate Finance and Investment Consulting at Samba
- General Manager at Kids Kingdom - Jarir Group

• Executive Management

#	Name	Current Position	Previous Positions	Qualifications	Experience	#	Name	Current Position	Previous Positions	Qualifications	Experience
1	Azzam Bin Saud AlMudaiheem	President of Al-Khazaf Saudi Company Board Member and Member of the Nominations & Remuneration Committee of Arabian Pipes Company Board Member of Shaker Group	Former CEO of Abunayyan Trading Company	Bachelor's Degree in Mechanical Engineering with Honors from King Saud University (1995)	<ul style="list-style-type: none"> 1. CEO of Abunayyan Trading Company (2020-2023) 2. CEO of Shaker Group (2017-2020) 3. General Manager of Masdar for Woodworking Materials (2001-2017) 	4	Adel Bin Mohammed Al-Omran	Chief Manufacturing Operations Officer at Saudi Ceramics Company	Chief Manufacturing Operations Officer at Saudi Ceramics Company		<ul style="list-style-type: none"> 1. Operations Manager for Tile Factories at Al-Khazaf Saudi (2019-2023) 2. Manager of the Third Tile Factory at Al-Khazaf Saudi (2017-2019) 3. Production Manager at Al-Khazaf Saudi (2012-2017) 4. Head of Production at Al-Khazaf Saudi (2009-2012) 5. Production Engineer at Al-Khazaf Saudi (2007-2009)
2	Hassan Bin Raja Al-Numeis	Chief Sales Officer	Former Regional Sales Manager for the Western Region	Bachelor's Degree in Business Administration from King Abdulaziz University (1997)	<ul style="list-style-type: none"> 1. Chief Sales Officer at Al-Khazaf Saudi Company (since 2020) 2. Regional Sales Manager for the Western Region at Al-Khazaf Saudi Company (2004-2019-) 3. Western Region Manager at Friesland Global – Netherlands (2003-2004-) 4. Regional Sales Manager at L'azurde for Gold & Jewelry (2001-2003-) 5. Western & Northern Region Sales Manager at Savola (since 1997) 	5	Yazeed Bin Khalid Al-Murshood	Former Director of Communications & Operations at the Ministry of Tourism	Chief Information Technology Officer	Master's Degree in Computer Science	<ul style="list-style-type: none"> 1. Chief Information Technology Officer at Al-Khazaf Saudi (since 2017) 2. Advisor to the CEO at Taqnia for Defense & Security (2014-2015-) 3. Director of Communications & Operations at the Ministry of Tourism (2009-2017-) 4. Assistant Programmer at the General Organization for Social Insurance (2005-) 5. Information Systems Analyst at SABB Bank (2005)
3	Mohamed Shaaban Shehata	Chief Financial Officer (CFO) at Saudi Ceramics Company	Former CFO of Al-Qaryan Holding Group	Master's Degree in Finance from the University of Manchester Certified Public Accountant (CPA) – American Institute of CPAs	<ul style="list-style-type: none"> 1. CFO of Al-Qaryan Holding Group (2023) 2. CFO of Al-Jari Holding Group (2022) 3. CFO of Al-Othaim Holding Group (2021) 4. CFO of Al-Rajhi Investment Group (2016-2021-) 5. Financial Manager at Al-Rajhi Steel (2012-2016-) 6. Audit Manager at KPMG Al-Fozan (2007-2012-) 						

- Names of companies inside or outside the Kingdom where a Board Member is currently or has previously been a member of the Board of Directors or a manager:

Member Name	Names of companies in which a Board Member is currently a member of the Board of Directors or a manager:	Inside the Kingdom / Outside the Kingdom	Legal Entity (Listed Joint Stock / Unlisted Joint Stock / Limited Liability, etc.)	Names of companies in which a Board Member was previously a member of the Board of Directors or a manager:	Inside the Kingdom / Outside the Kingdom	Legal Entity (Listed Joint Stock / Unlisted Joint Stock / Limited Liability, etc.)			
Yousuf Bin Saleh Aba Al-Khail	Chairman of the Board – Arabian Pipes Company	Inside the Kingdom	Listed Joint Stock Company	-	-	-			
	Board Member – Arabian Cement Company								
	Board Member – Gulf Insurance Group								
	Chairman of the Board – Arabian Pipes Company								
	Chairman of the Board – AXA Insurance								
	Chairman of the Board – GIG Insurance								
	Member of the Advisory Committee – Capital Trust								
	Member of the Executive Committee – Arabian Pipes Company								
Abdulaziz Bin Abdulkarim Al-Khuraiji	Member of the Compensation and Nominations Committee – Arabian Cement Company								
	Tashb Arabic Cooperative Insurance Company	Inside the Kingdom	Listed Joint Stock Company	<ul style="list-style-type: none"> • Bidaya Home Finance Company • RFIB Company • Saudi Reinsurance Brokerage Company • Al-Aqar Al-Shamil Company 	<ul style="list-style-type: none"> Inside the Kingdom Outside the Kingdom 	<ul style="list-style-type: none"> Listed Joint Stock Unlisted 			
	Al-Khreiji Investment Company								
	Al-Ifrah Knowledge Enrichment for Education and Training Company								
	Al-Sada Sports Community Company								
Abdulaziz Bin Abdulkarim Al-Khuraiji	Vice Chairman of the Board of Directors – Saudi Ceramics Company		<ul style="list-style-type: none"> • Listed Joint Stock Company • Limited Liability Company • Unlisted 						
	Tashb Arabic Cooperative Insurance Company								
	Al-Khreiji Investment Company								
	Al-Ifrah Knowledge Enrichment for Education and Training Company								
	Al-Sada Sports Community Company								
	Vice Chairman of the Board of Directors – Saudi Ceramics Company								

Member Name	Names of companies in which a Board Member is currently a member of the Board of Directors or a manager:	Inside the Kingdom / Outside the Kingdom	Legal Entity (Listed Joint Stock / Unlisted Joint Stock / Limited Liability, etc.)	Names of companies in which a Board Member was previously a member of the Board of Directors or a manager:	Inside the Kingdom / Outside the Kingdom	Legal Entity (Listed Joint Stock / Unlisted Joint Stock / Limited Liability, etc.)
Sami bin Ibrahim Al-Issa	-	-	-	-	-	-
Mutaib Bin Mohammed Al-Shathri	<ul style="list-style-type: none"> Qassim Cement Company Saudi Egyptian Investment Company Tourism Development Company Saudi Bahraini Investment Company Saudi Jordanian Investment Company Innovative Energy Holding Company Depa Limited 	<ul style="list-style-type: none"> Inside the Kingdom Outside the Kingdom 	<ul style="list-style-type: none"> Listed Contribution Closed Contribution 	-	-	-
Asim Bin Saad Al-Juraid	-	-	-	DUR Hospitality Company	Inside the Kingdom	General contribution
Majed Bin Mohammed Al-Dakheel	Saudi Steel Pipe Company	Inside the Kingdom	Listed Contribution	Semah Credit Information Company	Inside the Kingdom	Closed contribution
Mohammed Bin Abdulmohsin Al-Quraines	<ul style="list-style-type: none"> Saudi Investment Bank Taiba Investment Company Knowledge Economic City Company Audit Committee and Investment Committee of Bin Laden International Group Audit Committee of Al Hassan Ghazi Shaker Company 	Inside the Kingdom	<ul style="list-style-type: none"> Listed Contribution Limited Liability 	-	-	-
Majed Bin Abdulla Al-Essa	<ul style="list-style-type: none"> Ceramic Pipes Company Natural Gas Distribution Company Mishari Al Shathri Engineering Consulting Company Jazan Energy and Development Company Sadr Logistics Services Company 	Inside the Kingdom	<ul style="list-style-type: none"> Contribution Closed Contribution Contribution Closed Contribution Listed Contribution 	-	-	-

- Board Meetings During the Fiscal Year 2024:

Member	Member Type	Number of Meetings (7) meetings	21 February 2024	23 March 2024	3 April 2024	1 July 2024	18 September 2024	16 December 2024	29 December 2024
Yousuf Bin Saleh Aba Al-Khail	Chairman of the Board	✓	✓	✓	✓	✓	✓	✓	✓
Abdulaziz Bin Abdulkarim Al-Khuraiji	Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Sami Bin Ibrahim Al-Issa	Member	✓	✓	✓	✓	✓	✓	✓	✓
Mutaib Bin Mohammed Al-Shathri	Member	✓	-	✓	✓	✓	✓	✓	✓
Asim Bin Saad Al-Juraid	Member	✓	✓	✓	✓	✓	✓	✓	✓
Majed Bin Mohammed Al-Dakheel	Member	✓	✓	✓	✓	✓	✓	✓	✓
Muhammed Bin Abdulmohsin Al-Qurainees	Member	✓	✓	✓	✓	✓	✓	✓	✓
Majed Bin Abdullah Al-Issa	Member	✓	✓	✓	✓	✓	✓	✓	✓

Formation of the Board Members and Classification of its Members:

Member Name	Member Type
Yousuf Bin Saleh Aba Al-Khail	Independent
Abdulaziz Bin Abdulkarim Al-Khuraiji	Non-executive
Sami Bin Ibrahim Al-Issa	Non-executive
Mutaib Bin Mohammed Al-Shathri	Non-executive
Asim Bin Saad Al-Juraid	Non-executive
Majed Bin Mohammed Al-Dakheel	Independent
Muhammed Bin Abdulmohsin Al-Qurainees	Independent
Majed Bin Abdullah Al-Issa	Non-executive

Procedures Taken by the Board to Inform its Members of Shareholder Proposals and Observations:

The Board of Members takes several actions to inform its members, especially non-executive members, of shareholder proposals and observations regarding the company and its performance through Board or General Assembly meetings.

The Board also ensures that new members are introduced to the company's operations and verifies that the company provides comprehensive information about its affairs to all members through several mechanisms. These include reviewing meeting minutes, following up on the decisions and recommendations issued by the Board, the results of sub-committees' work, and the periodic reports issued by the company's management about its activities. Additionally, full information about any exceptional or unusual transactions, or those exchanged with other parties, is provided.

Responsibilities and basic functions of the Board of Directors:

Some of the primary functions that the Board Members are responsible for include approving strategic directives and key objectives and overseeing their implementation, developing the overall strategy, key action plans, risk management policies, and reviewing and guiding them. The Board is also responsible for establishing and supervising internal control systems and regulations, preparing clear and specific policies, standards, and procedures for Board membership and implementing them.

Additionally, the Board establishes a written policy to regulate the relationship with stakeholders to protect and preserve their rights, which includes compensation mechanisms for stakeholders, grievance or dispute resolution mechanisms, as well as appropriate systems to maintain good relationships with external parties and ensure confidentiality of related information.

The Board also sets professional conduct standards for managers and employees that align with proper ethical and professional norms, regulating the relationship between them and the stakeholders. It contributes to the company's social efforts and develops a governance system for the company that complies with the provisions of the applicable governance regulations issued by the relevant authority. The Board is responsible for setting performance goals, monitoring execution, and overseeing overall performance. Finally, it conducts periodic reviews of the organizational and functional structures and approves them.

Secretary of the Board Members

The main responsibilities of the Secretary of the Board Members include providing secretarial services to the Board. This includes assisting in scheduling the Board's meetings, notifying members, preparing agendas, handling the Board's procedural documents, taking meeting minutes, and following up on decisions and action items resulting from Board meetings. The responsibilities of the Secretary of the Board include all tasks outlined in paragraph (A) of Article 35 of the Corporate Governance Regulations. These include:

1. Documenting the Board Members' meetings, preparing minutes that include discussions and deliberations, recording the Board's decisions and voting results, and storing them.
2. Storing the reports submitted to the Board Members and the reports prepared by the Board.
3. Providing Board Members with the meeting agenda, working papers, documents, and related information.
4. Ensuring that Board Members adhere to the procedures approved by the Board.
5. Notifying members of the meeting dates well in advance of the scheduled time
6. Presenting draft minutes to Board Members for their feedback before signing.
7. Ensuring that Board Members receive a copy of the meeting minutes directly.
8. Ensuring that Board Members receive information and documents related to the items presented to the Board in a timely manner before the meeting.
9. Coordinating between the Board Members.
10. Organizing the disclosure record for Board Members and executive management according to Article 92 of the Corporate Governance Regulations issued by the Capital Market Authority
11. Providing support and advice to Board Members.

The Secretary of the Board can only be dismissed by a decision issued by the Board.

Methods for Evaluating the Performance of the Board, Its Committees, and Its Members

On November 13, 2019, the Board of Directors approved the initiation of performance evaluations for the Board and its committees through an annual survey that identifies areas of strength and weakness for the Board and its committees. The evaluation process began on January 1, 2020.

The performance of the Board Members, company committees, and executive management is evaluated annually against the powers granted to the Board and the financial and non-financial key performance indicators (KPIs) set at the beginning of the year. The performance evaluation is conducted by the Nominations and Compensation Committee, and the need for external consultants may be considered.

The performance of the Board for the year 2024 was evaluated by the Nominations and Compensation Committee in accordance with the best practices related to corporate governance and the evaluation of Board performance. The results of the Board's performance evaluation were as follows:

1. The Board and its committees have operated with great effectiveness during the year.
2. The Board consisted of non-executive and independent members with high competence, possessing an appropriate mix of skills, experience, and a proper focus on the company's operations and governance procedures.
3. The interactions between the Board members and between the Board and executive management throughout the year were highly positive.

The Nominations and Compensation Committee discussed the performance of Mr. / the Chairman of the Board with the Board Members and expressed the view that the Chairman of the Board has performed excellently in leading the Board through effective leadership, providing motivation to both the Board members and executive management.

Conflict of Interest Management

Board Members have an obligation under the company's internal conflict of interest policy to avoid any situation that represents or could represent a direct or indirect conflict of interest or a potential conflict with the company's interests, except in cases where prior approval is obtained from the Ordinary General Assembly, which must be renewed annually.

No Board Member may have a direct or indirect interest in transactions or contracts made on behalf of the company, unless prior approval is obtained from the Ordinary General Assembly, which must be renewed annually.

A Board Member is required to disclose to the Board any direct or indirect interest they may have in transactions or contracts made on behalf of the company. This Board Member is not permitted to participate in voting on the decision regarding such matters during Board and shareholders' meetings.

Transactions and contracts with a Board Member to meet their personal needs are not considered an interest requiring approval from the Ordinary General Assembly, provided that these transactions and contracts are executed under the same terms and conditions that the company applies to all contractors and fall within the normal course of the company's activities.

The Chairman of the Board must inform the Ordinary General Assembly, upon its convening, of any transactions or contracts in which any Board Member holds a direct or indirect interest. This notification must be accompanied by a special report from the company's external auditor.

Election of Board Members

The current Board of Directors was elected during an Extraordinary General Assembly meeting through cumulative voting for a term of three years, which will end on March 31, 2024.

On November 14, 2024, it was announced that the nomination for membership of the company's Board of Directors for the upcoming term, which will begin on April 1, 2025, and last for four years, is now open.

On November 14, 2024, the Nominations and Compensation Committee announced on the Tadawul website the opening of nominations for the Board of Directors for the upcoming term, which will start on April 1, 2025, and run until March 31, 2029. The current term of the Board of Directors will end on March 31, 2025.

On December 17, 2024, the company announced the extension of the nomination period for the Board of Directors by an additional 14 days, starting from December 18, 2024, corresponding to 17 Jumada II 1446 AH, until December 31, 2024, corresponding to 30 Jumada II 1446 AH. This extension aims to allow the candidates to fulfill the nomination requirements and complete the necessary documents, as well as to receive a larger number of applicants to ensure a diverse range of experiences and a suitable mix of candidates with the appropriate knowledge, skills, and professional expertise.

The nomination for membership of the Board of Directors will be in accordance with the provisions of the Companies Law issued by the Ministry of Commerce, the Corporate Governance Regulations issued by the Capital Market Authority, and the policies, standards, and procedures for Board membership approved by the General Assembly. The elected members will be selected during the company's upcoming General Assembly meeting, the date of which will be announced later, God willing, after obtaining the necessary approvals from the relevant authorities.

The Nominations and Compensation Committee is responsible for reviewing and studying the nominations submitted to it and presenting its recommendations along with the list of qualified candidates for the upcoming Board membership. Please note that voting at the Ordinary General Assembly will be limited to those who have nominated themselves for Board membership in accordance with the rules, standards, and procedures outlined in the Board membership policies, standards, and procedures. The company will announce the details of these candidates as per paragraph (A) of Article 8 of the Corporate Governance Regulations issued by the Capital Market Authority, in addition to those approved by the relevant authorities, using the cumulative voting method.

The date for the General Assembly meeting to elect the Board of Directors members will be announced after completing the legal procedures and obtaining the necessary approvals from the relevant regulatory authorities.

The Board members believe that each candidate, whether from the current Board members seeking re-election or the external candidates nominated for election, possesses the necessary abilities and skills to contribute effectively to the management of the company. The Board recommends that shareholders vote to elect the Board members for the upcoming term, which will begin on April 1, 2025, and last for four years, from the list of qualified candidates who have been announced as part of the agenda in the Annual General Assembly.

Termination of Board Membership

Board membership ends upon the completion of the board's term. Membership is also terminated if a member becomes unfit for membership according to the applicable laws and regulations in the Kingdom of Saudi Arabia, and based on a decision issued by the Board of Directors, preceded by a written request from the Board member to the Chairman of the Board.

Additionally, the General Assembly may, at any time, dismiss all or any of the Board members, even if the company's articles of association state otherwise, but without affecting the dismissed member's right to compensation if the dismissal is for unacceptable reasons or at an inappropriate time. The General Assembly may also, upon the Board's recommendation, terminate the membership of any member who fails to attend three consecutive meetings without a valid reason.

Committees Subordinate to the Board of Directors

The Board members is responsible for managing the company and has broad authority to manage its operations, set policies, define investments, and oversee its activities, finances, and operations within and outside the Kingdom of Saudi Arabia, carrying out all actions necessary to achieve the company's goals and manage its affairs.

To achieve efficiency and effectiveness, the Board has the right to form several internal committees to assist it in carrying out its activities. The following committees have been formed:

- A. Executive Committee
- B. Audit Committee
- C. Nominations and Compensation Committee

These internal committees have been formed by the Board of Directors. The number of members in each committee ranges from three to five members. The work regulations for the Audit Committee and the Nominations and Compensation Committee have been approved by the General Assembly.

The Board has the right to establish as many committees as it deems necessary to achieve effective governance and oversee the company's operational processes, specifying their authorities, objectives, and reporting mechanisms. The Board reviews and approves or amends the powers of its sub-committees annually to ensure these powers remain appropriate for their purpose.

The committees submit their annual report to the Board, which includes their activities, results, decisions, and recommendations with full transparency. The Board regularly monitors the activities of the internal committees to ensure they fulfill their assigned duties, and the heads of the committees submit a quarterly report to the Board.

The Board's internal committees may engage external consultants and independent professional advisors. They can also seek support from employees at all levels within the group to assist in fulfilling their responsibilities. External consultants, along with certain managers and members of the senior management team, may attend committee meetings, when necessary, by invitation from the committee chairman.

Each committee is accountable to the Board for its activities, although this does not absolve the Board from its responsibility for the activities, duties, and powers delegated to its committees. The committees have full access to all employees, workplaces, records, systems, and legal advisors necessary to carry out their responsibilities.

Executive Committee:

The Board members issued the Executive Committee's regulations pursuant to decision number [215] dated 16/03/1441 AH, corresponding to 13/11/2019 AD. The committee consists of a number of board members, with the total number of members not being less than three. The membership term for each member is no less than one year and no more than three years, and their term in the committee should not exceed their term on the Board members.

The committee is responsible for all tasks and duties within the scope of its objectives, as determined by the Board of Directors. This includes, for example, reviewing and overseeing the company's policies and strategic goals, studying proposals and recommendations for projects under discussion, providing opinions and recommendations before presenting them to the Board of Directors. The committee, in coordination with the executive management, is also tasked with developing plans to monitor operational financial performance to ensure optimal results and studying investment opportunities presented to the company.

Committee Members:

The Board of Directors appointed the following individuals to the Executive Committee, effective from 01/04/2022.

Yusuf bin Saleh Aba Al-Khail	Chairman of the Committee
Sami bin Ibrahim Al-Issa	Member
Muteb bin Mohammed Al-Shathri	Member
Majed bin Abdullah Al-Issa	Member

Below is the number of Executive Committee meetings held during the year 2024.

Member	Member Type	Number of Meetings (6) meetings					
		18 February 2024	27 March 2024	12 July 2024	29 August 2024	11 December 2024	11 December 2024
Yousuf Bin Saleh Aba Al-Khail	Chairman of the Committee	✓	✓	✓	✓	✓	✓
Sami Bin Ibrahim Al-Issa	Member	✓	✓	✓	✓	✓	✓
Mutaib Bin Mohammed Al-Shathri	Member	✓	✓	✓	✓	✓	✓
Majed Bin Abdullah Al-Issa	Member	✓	✓	✓	✓	✓	✓

Audit Committee:

According to the rules for selecting the Audit Committee, the duration of their membership, and their working methodology outlined in the approved Audit Committee regulations by the Extraordinary General Assembly held on 26/04/2024, the Audit Committee is formed by a decision from the company's Board members, whether from shareholders or others. The following controls must be observed:

1. The number of members in the Audit Committee should not be less than three and not more than five, and one of them should be specialized in financial and accounting matters.
2. One of the members of the Audit Committee must be independent. The Chairman of the Board of Directors cannot be a member of the Audit Committee.
3. Individuals who have worked or are currently working in the executive or financial management of the company, or with the company's auditors during the past two years, cannot be members of the Audit Committee.
4. A member of the Audit Committee should not hold membership in the audit committees of more than five publicly listed companies at the same time.
5. In the event of a vacancy in one of the committee positions, the Board of Directors may appoint a replacement member, who will complete the term of their predecessor. The Board may also choose to leave the position vacant, provided that the total number of remaining members is not less than three.
6. The Capital Market Authority must be notified of the names of the committee members and their membership statuses within five days from their appointment, and any changes must be reported within five working days of their occurrence.
7. The Audit Committee is responsible for monitoring the company's operations and ensuring the accuracy and integrity of financial reports, financial statements, and internal control systems. The committee's tasks, in particular, include the following:

Financial Reports:

1. Reviewing the company's preliminary and annual financial statements before presenting them to the Board of Directors, providing opinions, and recommending actions to ensure their integrity, fairness, and transparency.
2. Providing technical advice – based on the Board members request – on whether the Board's report and the company's financial statements are fair, balanced, and understandable, and include the information that allows shareholders and investors to assess the company's financial position, performance, business model, and strategy.
3. Examining any significant or unusual issues included in the financial reports.
4. Carefully examining any issues raised by the company's Chief Financial Officer, the person performing their duties, the company's compliance officer, or the auditor.
5. Verifying the accounting estimates in key matters included in the financial reports.
6. Reviewing the accounting policies followed by the company and providing opinions and recommendations to the Board of Directors regarding them.

B. Internal Audit

1. Study and review of the company's internal control, financial systems, and risk management.
2. Study of internal audit reports and follow-up on the implementation of corrective actions for the observations mentioned in them.
3. Monitoring and supervising the performance and activities of the internal audit department in the company to ensure the availability of necessary resources and their effectiveness in performing the assigned tasks and responsibilities.
4. Recommending to the Board of Directors the appointment of a Head of Internal Audit (in case the position becomes vacant) and proposing their compensation.

C. Auditors

1. Recommending to the Board of Directors the nomination and dismissal of auditors, determining their fees, and evaluating their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract.
2. Verifying the independence, objectivity, and fairness of the auditor, as well as the effectiveness of the audit work, taking into consideration the relevant rules and standards.
3. Reviewing the company's auditor's plan and work, ensuring that no technical or administrative services outside the scope of the audit are provided, and expressing opinions regarding this.
4. Responding to the inquiries of the company's auditor.
5. Reviewing the auditor's report and their observations on the financial statements, and following up on the actions taken regarding them.

D. Compliance:

1. Reviewing the results of reports from regulatory bodies and ensuring that the necessary actions have been taken in response
2. Verifying compliance with relevant laws, regulations, policies, and instructions.
3. Reviewing contracts and transactions that the company intends to engage in with related parties, and providing its views on them to the Board members.
4. Raising any issues that require action to the Board of Directors and providing recommendations on the necessary actions to be taken.

Audit Committee Report

The committee prepares a report that includes details of its performance of the duties and responsibilities outlined in the company's bylaws and executive regulations. The report must include its recommendations and opinion on the adequacy of the company's internal control, financial systems, and risk management.

Below is the number of Audit Committee meetings held during the year 2024

Member	Membership Type	Number of Meetings: (6) Meetings				
		(2024 March 04)	(2024 March 23)	(2024 May 05)	(2024 July 21)	(2024 October 27)
Ahmad Al-Muzaini	Chairman of the Committee	✓	-	✓	✓	✓
Majed Al-Dakhil	Member	✓	✓	✓	✓	✓
Abdulaziz Al-Sheikh	Member	✓	✓	✓	✓	✓

• Compensation and Nominations Committee

Formation and Membership Regulations of the Compensation and Nominations Committee

The Compensation and Nominations Committee is formed by a decision of the company's Board of Directors, and its members must be independent board members. The committee may also include non-executive members or individuals who are not board members, whether they are shareholders or others.

1. The Board of Directors' decision must specify the appointment of the committee chairman. The board may also include in the decision the appointment of a secretary from among the committee members or others, or it may leave the decision to appoint the secretary to the committee.
2. The number of members in the Compensation and Nominations Committee must not be less than three and not more than five.
3. The Chairman of the Board members cannot be the Chairman of the Compensation and Nominations Committee.
4. The Chairman of the Compensation and Nominations Committee must be an independent member.
5. In the event that a position on the committee becomes vacant, the Board members may appoint a replacement member, and the replacement member will complete the term of their predecessor. The Board members may also choose to leave the position vacant, provided that the total number of remaining members in the committee is no less than three.
6. Notifying the Capital Market Authority (CMA) of the names of the committee members and their membership statuses within five working days from the start of the board's term or from the date of their appointment, whichever is sooner. Additionally, any changes to their membership must be reported within five working days from the occurrence of the changes.

Duties of the Compensation and Nominations Committee:

1. Preparing a clear policy for the compensation of Board members, committees derived from the Board, and executive management, and submitting it to the Board for consideration in preparation for approval by the General Assembly. This policy should ensure the following:
 - A. Alignment with the company's strategy and objectives.
 - B. The compensation should encourage Board members and executive management to ensure the success and long-term growth of the company, such as linking the variable portion of compensation to long-term performance.
 - C. Compensation should be determined based on the level of the position, the tasks and responsibilities associated with it, qualifications, experience, skills, and performance level.
 - D. Alignment with the company's size, nature, and risk level.
 - E. Considering the compensation practices of other companies, while avoiding any unreasonable increase in compensation and allowances.
 - F. Aiming to attract, retain, and motivate professional talent, without excessive compensation.
 - G. Clarifying the conditions for stopping or recovering compensation if it is determined that it was granted based on inaccurate information provided by a Board member or executive management, to prevent misuse of the position for undeserved compensation.
 - H. Organizing the granting of shares in the company to Board members and executive management, whether through new issuance or shares purchased by the company.
 - I. Clarifying the relationship between the granted compensation and the applicable compensation policy, and indicating any material deviations from this policy.
 - J. Periodically reviewing the compensation policy and evaluating its effectiveness in achieving the intended objectives.
 - K. Recommending compensation for Board members, committees derived from it, and senior executives in the company according to the approved policy.
 - L. Reviewing the financial compensation for the CEO, including long-term and short-term incentives, and setting performance targets for the CEO, and submitting recommendations to the Board.
 - M. Reviewing compensation and retirement plans, as well as incentive policies and plans for employees.
 - N. Providing the Board and executive management with sufficient information and external advice to ensure informed decisions regarding salaries.
 2. Proposing Clear Policies and Standards for Board Membership and Executive Management.
 3. Recommending to the Board of Directors the nomination and re-nomination of members in accordance with the approved policies and standards, ensuring that no individual who has been convicted of a crime involving dishonesty is nominated.

4. Preparing a description of the required capabilities and qualifications for membership on the Board of Directors and executive management positions.
5. Determining the time that each member should dedicate to the Board's activities.
6. Conducting an annual review of the skills or experiences necessary for Board membership and executive management positions.
7. Reviewing the structure of the Board of Directors and executive management and providing recommendations regarding potential changes.
8. Annually verifying the independence of independent members and ensuring there is no conflict of interest, especially if the member serves on the Board of Directors of another company.
9. Developing job descriptions for executive members, non-executive members, independent members, and senior executives.
10. Establishing procedures in case of vacancy in a Board member or senior executive position.
11. Identifying the strengths and weaknesses of the Board of Directors and proposing solutions to address them in line with the best interests of the company.

The Board members appointed the following members to the Compensation and Nominations Committee effective from 01/04/2022:

Mohammed bin Abdul Mohsen Al-Qurainis	Chairman of the Committee
Abdulaziz bin Abdul Karim Al-Khreiji	Member
Asem bin Saad Al-Jareed	Member

Member	Membership type	Number of meetings (2) meetings	
		26 September 2024	30 December 2024
Muhammed Bin Abdulmohsin Al-Quraines	Chairman of the Committee	✓	✓
Abdulaziz Bin Abdulkarim Al-Khuraiji	Member	✓	✓
Asim Bin Saad Al-Juraid	Member	✓	✓

Compensation Policy for Board Members, Committees, and Executive Management:

1. The compensation for Board members for their work in the Board consists of a fixed amount, attendance allowances for meetings, expense allowances, non-monetary benefits, or a percentage of profits. It is permissible to combine two or more of these compensations and benefits
2. The nature and amount of compensation for Board members are determined and approved by the Board of Directors based on a recommendation from the Compensation and Nominations Committee. However, compensation linked to profits is approved by the General Assembly.

First: Standards and Regulations for Board Members' Compensation

1. The compensation should align with the company's strategy, objectives, and the size, nature, and level of risks, motivating Board members and executive management to achieve the company's strategy and goals.
2. Compensation is determined based on the level of the position, tasks, and responsibilities associated with it, as well as academic qualifications, practical experience, skills, and performance levels.
3. Board members' compensation may vary in amount to reflect the member's experience, expertise, tasks, independence, and other considerations.
4. A Board member's compensation entitlement should be proportional to the number of meetings they attend, and any estimate that contradicts this is considered invalid.
5. A Board member is entitled to compensation from the date of their appointment to the Board or committee, in accordance with their membership duration.
6. If the compensation is a percentage of the company's profits, this percentage should not exceed 10% of the net profits, after deducting the reserves approved by the General Assembly, in accordance with the company's articles of association and the law, and after distributing at least 5% of the company's capital as dividends to shareholders.
7. Board members' compensation should not be a percentage of the profits made by the company or directly or indirectly based on the company's profitability.
8. In all cases, the total amount received by a Board member in the form of financial or non-financial benefits should not exceed 500,000 SAR annually, according to the regulations set by the relevant authorities (the Ministry and the Authority).
9. The compensation of committee members is determined as per the terms outlined in the committee's work regulations approved by the company's General Assembly.

The relationship between the granted compensation and the applicable compensation policy is clarified, along with any material deviations from this policy.

The Board of Directors, based on the recommendation of the Compensation and Nominations Committee, determines the compensation for each member of the Board, each committee member from the Board, each committee member from outside the Board, and senior executives, in accordance with the organizational regulations approved by the Board of Directors and the compensation policy for Board members, its committees, and senior executives approved by the company's General Assembly. Accordingly, the member is entitled to the granted compensation based on this, and there are no material deviations from the applicable policy.

Noting the following:

- There is no material deviation between the compensation paid to Board members, committee members, and senior executives and the company's applicable compensation policy for Board members and senior executives.
- The compensation for Board members is determined based on the compensation policy for Board members and executives, along with the recommendation of the Nominations and Compensation Committee. There are no arrangements or agreements under which any Board member, committee member, or senior executive has waived any compensation.

Compensation of Board Members, Committees Derived from It, and Executive Management

Third: The tables below provide details of the compensation paid to each of the Board members, members of the committees, and five senior executives who received the highest compensation from the company, including the CEO and CFO, in accordance with the policy approved by the General Assembly held on 26/04/2018

• Compensations of Board Members:

	Fixed Compensation (in thousands)						Variable Compensation (in thousands)						End of Service Compensation (in thousands)	Total Amount (in thousands)	Expense Allowance (in thousands)
	Annual Compensation	Board Meeting Attendance Allowance	Total Committee Meeting Attendance Allowance	Non-Monetary Benefits	Compensation for Technical, Administrative, and Consulting Services	Compensation for the Chairman of the Board, CEO, or Secretary	Total	Percentage of Profits	Periodic Compensation	Short-Term Incentive Plans	Long-Term Incentive Plans	Granted Shares (value to be entered)	Total		
First: Independent Members															
Yousuf Bin Saleh Aba Al-Khail	300	21	68	-	-	-	389	-	-	-	-	-	-	389	
Majed Bin Mohammed Aldakheel	300	21	0	-	-	-	321	-	-	-	-	-	-	321	
Muhammed Bin Abdulmohsin Al-Qurainees	300	18	0	-	-	-	318	-	-	-	-	-	-	318	
Total	900	60	68	-	-	-	1,028	-	-	-	-	-	-	1,028	
Second: Executive Management															
Abdulaziz Bin Abdulkarim Al-Khuraiji	300	21	0	-	-	-	321	-	-	-	-	-	0	321	
Sami Bin Ibrahim Al Issa (General Organization for Social Insurance)	300	21	68	-	-	-	389	-	-	-	-	-	0	389	
Mutaib Bin Mohammed Al-Shathri (Public Investment Fund)	300	18	68	-	-	-	386	-	-	-	-	-	0	386	
Asim Bin Saad Al-Juraid (General Organization for Social Insurance)	300	21	0	-	-	-	321	-	-	-	-	-	0	321	
Majed Bin Abdullah Al Issa	300	21	68	-	-	-	389	-	-	-	-	-	0	389	
Total	1,500	102	34	-	-	-	1,806	-	-	-	-	-	0	1,806	

* Compensation and attendance allowances for Board membership of the representative of the Public Investment Fund are paid as follows:

A. The annual compensation and attendance allowances for Board members appointed by the Public Investment Fund, who are not employees of the Public Investment Fund on the company's Board of Directors, as well as all amounts related to their membership in the committees, are directly transferred to their bank accounts.

B. The annual compensation and attendance allowances for the Board members of the Public Investment Fund who are employees of the Fund and working on the company's Board of Directors and its committees are transferred to the account of the Public Investment Fund, as they represent the entity.

• Compensation of Committee Members:

Statement	Fixed Compensation (Excluding Session Attendance Allowance)	Session Attendance Allowance	Total
Audit Committee Members			
Ahmed Al-Muzaini	100,000	15,000	115,000
Majed Aldakheel	100,000	18,000	118,000
Abdulaziz Al-Sheikh	100,000	18,000	118,000
Total	300,000	51,000	351,000
Compensation and Nominations Committee Members			
Mohammed Bin Abdul Mohsin Al-Qurainees	30,000	6,000	36,000
Abdulaziz Bin Abdulkarim Al-Khuraiji	30,000	6,000	36,000
Asim Bin Saad Al-Juraid	30,000	6,000	36,000
Total	90,000	18,000	108,000
Executive Committee Members			
Yousuf Bin Saleh Aba Al-Khail	50,000	18,000	68,000
Sami Bin Ibrahim Al Issa	50,000	18,000	68,000
Mutaib Bin Mohammed Al-Shathri	50,000	18,000	68,000
Majed Bin Abdullah Al Issa	50,000	18,000	68,000
Total	200,000	72,000	272,000

Second: Executive Management Compensation

The Board members, based on a recommendation from the Compensation and Nominations Committee, determines and approves the following regarding the executive management compensation:

1. The amount of compensation for senior executives based on the company's planned target.
2. The compensation specified in the employment contracts of senior executives or those linked to performance indicators and evaluations.
3. The nature and amount of compensation for extraordinary and/or seasonal efforts made by senior executives that contribute to achieving the company's objectives.

- **The tables below outline the details of the compensation paid to five senior executives**

Senior Executives' Roles	Fixed Compensation				Variable Compensation				End of Service	Total Compensation for Executives from the Board and Committees, if applicable	Total		
	Salaries	Allowances	Benefits	Total	Periodic Compensation	Profits	Short-Term Incentive Plans	Long-Term Incentive Plans	Shares granted to be included				
Statement													
CEO of the Company													
Chief of Technical Affairs													
Chief Financial Officer													
Chief Sales Officer													
Chief Human Resources Officer													
Total 2024	4,758,150	2,191,851	-	6,950,001	40,151	-	340,580	-	-	380,731	203,653	-	7,534,385
Total 2023	4,240,826	1,814,564	-	6,055,390	3,249,194	-	115,566	-	-	3,364,760	-	-	9,420,150

The company has complied with the disclosure of the compensation for board members, committees, and senior executives on an aggregate basis, in accordance with the regulatory requirements stated in paragraph (4) of Article (90) of the Corporate Governance Regulations. The decision of the Capital Market Authority Board, No. 1-35-2018, dated 26/03/2018 (9/7/1439H), stipulates that the disclosure of senior executives' compensation mentioned in subparagraph (b) of paragraph (4) of Article 90 of the Corporate Governance Regulations should be made on an aggregate basis

A description of any interest held by Board members, senior executives, and their relatives.

- A description of any interest, contractual securities, and subscription rights held by Board members and their relatives in the company's shares or debt instruments, or in any of its subsidiaries, and any changes to such interests or rights during the fiscal year 2024.

Sequence	Name of the Beneficiary of the Interest, Contractual Securities, or Subscription Rights	Start of Year		End of Year		Change Net	Change rate
		Shares No.s	Tools Debt	Shares No.s	Tools Debt		
First: Board Members							
1	The General Organization for Social Insurance, represented by: Sami bin Ibrahim Al-Essa, & Asem bin Saad Al-Jareed	4,421,817	-	4,421,817	-	-	0%
2	The Public Investment Fund, represented by: Muteb bin Mohammed Al-Shathri	4,320,397	-	5,400,496	-	-	25%
3	Abdulaziz Bin Abdulkarim Al-Khuraiji	19,999	-	19,999	-	-	0%
4	Yousuf Bin Saleh Aba Al-Khail	1,809,001	-	1,809,001	-	-	0%
5	Majed Bin Abdullah Al Issa	31,250	-	31,250	-	-	0%
6	Mohammed Bin Abdulmohsin Al-Qurainees	2,778	-	2,778	-	-	0%
7	Majed Bin Mohammed Aldakheel	-	-	-	-	-	-
8	Yousuf Bin Saleh Aba Al-Khail - wife and children	19,200	-	-	-	-	100%

- A description of any interest, contractual securities, and subscription rights held by senior executives and their relatives in the company's shares or debt instruments, or in any of its subsidiaries, and any changes to such interests or rights during the fiscal year 2024.

Sequence	Name of the Beneficiary of the Interest, Contractual Securities, or Subscription Rights	Start of Year		End of Year		Change Net	Change rate
		Shares No.s	Tools Debt	Shares No.s	Tools Debt		
Second: For Senior Executives							
1	Yazeed bin Khalid Mohammed Al-Marshud	8,500	-	-	-	-	100%

Related Parties

Below are the details of transactions with related parties during the year 2024:

Related Party	Type of Relationship	Type of Transaction	Duration	Value
Natural Gas Distribution Company	Associate Company	Purchase Orders	Undefined	45,487
Saudi Ceramics Pipes Company	Subsidiary	Loans and Settlement Obligations	1 Year Undefined	24,530
		Product Sales Obligations		702
CHEP Arabian Insurance Company	Indirect Relationship with the Vice Chairman of the Board	Insurance Policy	1 Year	144

A statement of the works and contracts in which the company is a party and where there is an interest for any of the board members, senior executives, or any person related to any of them.

There is no material interest (direct or indirect) for any board member, the CEO, or the CFO in any business or contracts conducted on behalf of the company during the year 2024, except for what is outlined below:

The company engages in its regular business activities with related parties, such as purchasing gas from the Natural Gas Distribution Company (an associate company in which it is an investor). The company also deals with Saudi Ceramics Pipes Company (a subsidiary in which it is an investor) in various transactions. It is noted that transactions with related parties are conducted under the same commercial terms as transactions with other non-related parties.

Company Name	Nature of the work or contract	Amount of the work or contract	Duration of the work or contract	Terms of the work or contract	Name of the member/executive or any related person
Natural Gas Distribution Company	Purchase Orders	45,487	Undefined	These are ongoing contracts and business transactions conducted in the ordinary course of business, based on prevailing commercial terms and without any preferential treatment	Engineer Majed bin Abdullah Al-Essa, a member of the Board of Directors, represents Saudi Ceramics Company in the Board of Directors of the Natural Gas Distribution Company
Saudi Ceramics Pipes Company	Loans and Obligations Settlement	24,530	Undefined	These are ongoing contracts and business transactions conducted in the ordinary course of business, based on prevailing commercial terms and without any preferential treatment	Engineer Majed bin Abdullah Al-Essa, a member of the Board of Directors, represents Saudi Ceramics Company in the Board of Directors of the Natural Gas Distribution Company
	Product Sales	702	Undefined	These are ongoing contracts and business transactions conducted in the ordinary course of business, based on prevailing commercial terms and without any preferential treatment	Engineer Majed bin Abdullah Al-Essa, a member of the Board of Directors, represents Saudi Ceramics Company in the Board of Directors of the Natural Gas Distribution Company
CHEP Arabian Insurance Company	Insurance Policy	144	1 year	Without preferential treatment	An indirect interest through the membership of Mr. Abdulaziz bin Abdul Karim Al-Khreiji as a member of the Board of Directors of Saudi Ceramics Company and The Cooperative Insurance Company (Tashb)

- A statement of the statutory payments made and due to government entities, including Zakat, taxes, and any other outstanding dues**

Statement	2023	Brief description	Statement of Reasons
			Paid
Zakat	25,514,378	-	Regular Payments
VAT	78,750,663	-	Regular Payments
Tax Withholding	145,982	-	Regular Payments
General Organization for Social Insurance	16,457,024	-	Regular Payments
Visa and Passport Costs	3,810,360	-	Regular Payments
Labor Office Fees	4,300,742	-	Regular Payments

Penalties and Fines

There were no penalties, sanctions, precautionary measures, or restrictive orders imposed on the company by the Authority or any supervisory, regulatory, or judicial body during the year 2024.

Risk Management & Internal Audit

- Internal Audit
- Audit Committee Opinion

First: Internal Audit

Results of the Annual Review of the Effectiveness of Internal Control Procedures and the Adequacy of the Internal Control System.

The internal control system has been designed on sound principles, and its effectiveness is reinforced through the following:

- The presence of a specialized department for audit activities, known as the Internal Audit Department.
- The existence of an Audit Committee that reports its findings to the Board.
- The Internal Audit Department submits its periodic reports to the Audit Committee, which in turn reports to the Board of Directors. The adequacy and effectiveness of the internal control system are reviewed and evaluated by the Internal Audit Department, and some aspects of the internal control are periodically reviewed by external auditors. The Audit Committee is fully convinced that this process reflects the effectiveness of the company's internal control procedures, and no significant issues requiring attention have been identified.

Results of the Annual Internal Audit Procedures and Internal Control System

The Board relies on the company's internal control system to assess policies and procedures related to risk management, the implementation of corporate governance rules, and compliance with relevant laws and regulations. This system ensures adherence to accountability standards at all executive levels of the company.

Establish independent departments for risk assessment, risk management, and internal auditing.

To implement the internal control system, the company has established a risk assessment and management department as well as an internal audit department. The company may also use external consultants and specialists to perform the duties and responsibilities of the risk management and internal audit units or departments, without affecting the company's responsibility for those duties and responsibilities.

Internal Audit Department Duties

The Internal Audit Department is responsible for evaluating and monitoring the implementation of the internal control system, ensuring the company's compliance, along with its employees, with applicable laws, regulations, instructions, and the company's policies and procedures.

Formation of the Internal Audit Department

The Internal Audit Department consists of the Internal Audit Manager and five auditors. The Audit Committee recommends the appointment of the Internal Audit Manager, who will be responsible to the Audit Committee. The formation and operations of the Internal Audit Department take the following into consideration:

- The staff of the Internal Audit Department must be competent, independent, and adequately trained. They should not be assigned any tasks other than internal audit duties and the continuous evaluation of the internal control system.
- The Internal Audit Department submits its reports to the Audit Committee and is accountable to it.
- The Internal Audit Department has the right to access information and documents without any restrictions.

Internal Audit Plan

The Internal Audit Department operates according to a comprehensive audit plan approved by the Audit Committee, which is updated annually. The plan must include a review of the company's key activities and operations, including the activities of the Risk and Compliance departments.

Retention of Internal Audit Reports

The company maintains records of the internal audit reports and work papers of the Internal Audit Department. These reports detail the achievements, results of its work, recommendations, and all actions taken in this regard.

Board of Directors' Responsibility Regarding Internal Control Systems

The Board of Directors is committed to ensuring that the Internal Audit Department is connected to the activities of the Audit Committee, as this is an essential tool for controlling and improving the company's performance and overseeing the development of internal systems, policies, and corporate governance. The key functions of the Board regarding internal control matters include the following:

1. Ensuring the integrity of financial and accounting systems, including systems related to financial reporting.
2. Ensuring the implementation of a transparent control system for risk management by identifying the overall view of the risks that may face the company and its subsidiaries.
3. Annual review of the effectiveness of the internal control systems, policies, and procedures implemented by the company and its subsidiaries.

The following are the results of the annual review of the efficiency of the company's internal control systems and procedures, as well as the Audit Committee's opinion regarding the adequacy of the company's internal control system for the fiscal year ending December 31, 2024:

1. The company's risk management and internal control systems were effective.
2. The company has implemented the necessary mechanisms and control systems to monitor non-compliance and correct it immediately.
3. The company has complied with the requirements of the Corporate Governance Regulations regarding risk management systems and internal controls in a satisfactory manner.

Board Confirmation

The Audit Committee directly supervises the internal audit activities, while the Internal Audit Department periodically checks the efficiency and effectiveness of the company's internal control systems. Based on the above, and in accordance with the reports and recommendations from the Audit Committee, as well as the work plans set, the Board members confirms the following points:

- The Board has not been made aware of any matters that would lead it to believe there are material deficiencies that would require disclosure regarding the integrity of the financial and accounting systems.
- The control systems are operating effectively and help mitigate potential risks the company may face. The Board has not been made aware of any issues related to internal controls of material importance that would require disclosure.
- All necessary corrective measures have been taken regarding the observations and recommendations provided by the Internal Audit Department to the Audit Committee.

Financial Reports:

Management is responsible for establishing appropriate and effective internal controls and procedures over the financial reporting process and maintaining them. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The company has a comprehensive suite of processes, procedures, and programs necessary for budgeting, planning, managing forecasts, and preparing monthly financial reporting. A summary of the company's financial results, supported by clarifications and performance metrics, is provided to the Executive Committee on a monthly basis.

The reporting process is supported by the company's consolidated financial systems for transactions. The finance department reviews the control measures related to financial reporting, while the Board of Directors examines the results of these reviews as part of its oversight of the performance and effectiveness of the controls over financial reporting.

The Audit Committee reviews the application of financial reporting standards and any accounting estimates made by management. These matters are also discussed with the external auditors.

The annual financial statements as a whole are characterized by being fair, balanced, and understandable, providing the necessary information for shareholders to assess the company's financial position, performance, business model, and strategy.

External Audit

The General Assembly of the company's shareholders, during its meeting held on Monday, 21/12/1445H, corresponding to 17/06/2024, approved the appointment of Ibrahim Ahmed Al-Bassam & Partners (Al-Bassam & Partners) as the external auditor for the company to conduct the auditing and review of the company's accounts for the year 2024, including the quarterly financial statements (the second and third quarters of 2024 and the first quarter of 2025).

The justification for recommending the selection of Ibrahim Ahmed Al-Bassam & Partners as the external auditor is based on their inclusion in the list of certified public accountants by the Capital Market Authority, their extensive professional experience in audit services, and their application of international standards when auditing the company's accounts, including similar and industrial companies they audit. Additionally, they presented a proposal that includes a team with distinguished experience.

Audit Committee Report for Saudi Ceramics Company for the Fiscal Year Ending December 31, 2024

Overview of the Formation of the Audit Committee in 2024:

- Mr. Ahmed bin Suleiman Al-Muzaini - Chairman
- Mr. Majed Al-Dakhil - Member.
- Mr. Abdulaziz Al-Sheikh - Member.

The Audit Committee met six times during the year 2024 as follows:

Member	Membership Type	Number of Meetings: (6) Meetings					
		(2024 March 04)	(2024 March 23)	(2024 May 05)	(2024 July 21)	(2024 October 27)	(2024 December 25)
Ahmad Al-Muzaini	Chairman	✓	-	✓	✓	✓	✓
Majed Aldakheel	Member	✓	✓	✓	✓	✓	✓
Abdulaziz Al-Sheikh	Member	✓	✓	✓	✓	✓	✓

The Audit Committee is responsible for monitoring the company's operations and ensuring the accuracy and integrity of financial reports, financial statements, and internal control systems. The committee carried out its duties as outlined in the regulations as follows:

A. Financial Reports:

1. The interim and annual financial statements of the company were reviewed before being presented to the Board members, with the committee providing its opinion and recommendations to ensure their integrity, fairness, and transparency.
2. An opinion was provided at the request of the Board of Directors regarding whether the Board's report and the company's financial statements are fair, balanced, and understandable, and whether they include the information necessary for shareholders and investors to assess the company's financial position, performance, business model, and strategy.
3. The committee reviewed any significant or unusual issues included in the financial reports. No significant or unusual issues were identified in the financial reports.
4. The committee thoroughly examined any issues raised by the company's Chief Financial Officer, or the person performing their duties, or the Compliance Officer, or the external auditor. No issues were identified that warranted attention or needed to be highlighted.

5. The committee verified the accounting estimates in the material issues included in the financial reports.

6. The committee reviewed the accounting policies adopted by the company and provided its opinion and recommendations to the Board of Directors regarding them.

B. Internal Audit:

1. The committee studied and reviewed the internal control, financial control systems, and risk management in the company.
2. The internal audit reports were reviewed, and the implementation of corrective actions for the observations noted was followed up.
3. The committee oversaw and supervised the performance and activities of the internal audit department to ensure that the necessary resources are available and effective in carrying out their duties and tasks.
4. The committee recommended to the Board of Directors the appointment of the Head of the Internal Audit Department and proposed their compensation.

C. External Auditor:

1. The committee recommended to the Board of Directors the nomination, dismissal, determination of fees, and performance evaluation of the external auditors, after verifying their independence, reviewing the scope of their work, and the terms of their engagement. The committee recommended the following firms for the audit of the company's accounts for the year 2025:
 - A. Ibrahim Ahmed Al-Bassam & Partners Company, with a fee of 675,000 SAR excluding VAT.
 - B. Al-Ayyouti & Partners, with a fee of 630,000 SAR excluding VAT.
 - C. Al-Zouman, Al-Fahd, and Al-Hajjaj, with a fee of 495,000 SAR excluding VAT.
2. The independence, objectivity, and fairness of the external auditor were verified, along with the effectiveness of the audit work, taking into account the relevant rules and standards.
3. The committee reviewed the external auditor's plan and work, ensuring that no technical or administrative work outside the scope of the audit was provided, and offered its views on this matter. This was done through three regular meetings during the year while reviewing the financial statements for the first, second, and third quarters of 2024.
4. The committee addressed the inquiries of the company's external auditor.
5. The committee reviewed the external auditor's report and observations on the financial statements and followed up on the actions taken regarding them.

D. Compliance Commitment:

1. The results of the regulatory authority reports have been reviewed, and it has been verified that the company has taken the necessary actions in response.
2. It has been verified that the company complies with the relevant regulations, laws, policies, and instructions.
3. The contracts and transactions proposed to be conducted by the company with related parties have been reviewed, and the committee provided its views to the Board of Directors. No issues were found that required presenting them to the Board of Directors.
4. The committee submits any issues it deems necessary for action to the Board of Directors and provides its recommendations on the actions that should be taken.

The Audit Committee's Opinion on Internal Control Systems:

Based on the reports issued by the internal audit department during 2024 and the discussions held with the external auditor and company management, the committee did not find any material issues of significant impact that require disclosure. The Board of Directors has adopted all the committee's recommendations, and there are no conflicts between them and the decisions made by the Board. The independence of the external auditor and the effectiveness of the audit work were also verified. Consequently, the committee believes that the internal, financial control, and risk management systems of the company are adequate, knowing that any internal control system, regardless of its design integrity and implementation effectiveness, cannot provide absolute assurance.

Second / Risk Management

Saudi Ceramics Company has a comprehensive risk management system with a clear and consistent approach to ensure the continuity of the company's operations.

The company's risk management department continuously studies and reviews the risks that may affect the business, whether internal or external, at the economic, market, and environmental levels. The department evaluates the likelihood of these risks occurring and measures their expected impact, taking steps to mitigate them as much as possible. To achieve this, the risk management department has implemented several initiatives, and the Audit Committee oversees the risk management activities and the responsibilities of the risk committee within the company.

As outlined in the Corporate Governance Regulations, ensuring that the Board of Directors is regularly informed about the results of the company's risk assessments, their impacts, and the proposed recommendations for addressing them, along with the mechanisms for managing these risks.

Some of the key risks that are continuously monitored include the following:

• Risks of changes and amendments in regulations, laws, and systems:

"The company seeks to ensure full compliance with all government regulations governing business activities and any amendments that may occur. This is achieved through the Compliance Department, which ensures the company adheres to all laws, regulations, policies, and instructions from the relevant regulatory authorities. Additionally, control measures have been established to mitigate the risks of non-compliance with regulations or laws set by government entities and the Capital Market Authority.

• Risks of non-compliance with internal policies and regulations:

The company seeks to ensure full compliance with the internal policies and procedures that govern its operations, as these are among the most crucial control measures that help organize work and protect the company's assets. This is achieved through the Compliance Department. To accomplish this, an agreement has been made with the Compliance Department on the control measures that mitigate the risks of exceeding the approved authority matrix set by the Board of Directors and violating the company's policies, regulations, and procedures.

• Supply and Price Fluctuation Risks:

The company has developed its strategy to address any issues in the supply chains and the impact of currency fluctuations by diversifying supply sources and establishing strategic relationships with key suppliers. These relationships are formalized through contracts that ensure stability in supply and price consistency. Control measures have also been established to mitigate the risks of rising purchase prices from suppliers and suppliers' failure to meet their contractual obligations.

- **Local competition risks:**

The company works to reduce competition risks through diversification and expansion in sales channels. Additionally, the company focuses on product development while maintaining the highest level of quality and customer service. It has also opened several new showrooms in new regions across the Kingdom and expanded its brand presence to ensure an increase in market share and profit margins. Furthermore, the company has established control measures with various relevant departments to mitigate risks related to prolonged storage periods for finished products, raw materials, and spare parts, as well as risks of customer non-fulfillment of contractual obligations, customer returns, loss of financially significant customers, loss of customers affecting the company's reputation, and the loss of market advantages or opportunities.

- **Liquidity and Credit Risks:**

The company has developed several plans to address liquidity and credit risks, as well as fluctuations in exchange rates, through hedging products. The treasury department regularly reviews exchange rates to ensure the best possible prices. The company also aims to review interest rates on loans in order to reduce them and secure the best rates from banks. Additionally, control measures have been put in place to mitigate the risks of liquidity weaknesses and ensure compliance with regulations or laws set by the Capital Market Authority.

- **Risks of Disruption of Key Services and Business Interruption:**

The company continuously evaluates its business continuity plans in the event of disruption to any of the key services. It has considered the availability of multiple sources for these resources and implemented procedures to ensure a quick return to normal production. Additionally, the company regularly insures against business interruptions. Control measures have also been established to mitigate the risks of disruption to essential services (communications, electricity, water, gas).

- **Information Security Risks:**

The company has implemented a policy and procedures to ensure information security. The IT department has installed protection programs on the company's devices and systems to safeguard the company's information and data. Additionally, regular backups are taken of all operations conducted on the company's systems, and these backups are stored on dedicated servers in multiple locations. The risk management department has established control measures to mitigate risks related to unauthorized access to the company's systems, damage to the company's systems and software, disruption of devices and software that may affect employee performance, and network communication failures.

- **Cybersecurity Risks:**

The company has assessed cybersecurity risks and appointed a specialized company in this field to ensure the company's compliance with the control regulations set by the National Cybersecurity Authority. The National Cybersecurity Authority strongly encourages all other organizations in the Kingdom, not obligated to apply these regulations, to benefit from them in order to adopt best practices to improve and enhance their cybersecurity.

Social & Environmental Responsibility

- Social and Environmental Responsibility
- Environment and Sustainable Development
- Social Responsibility

Environmental and Social Responsibility

The company is committed to its national responsibilities and strives to achieve a balance and alignment between economic growth, effective governance practices, and environmental and social contributions. This supports efforts towards sustainability initiatives and programs aligned with Saudi Arabia's Vision 2030, which focuses on environmental and societal aspects.

The company's commitment to this area has helped create an attractive and constructive work environment, enhancing its competitive position through these practices, which are taken into account within the workplace, employees, stakeholders, and the entire community.

Environmental Responsibility

At Saudi Ceramics, we recognize the importance of adopting the best sustainable practices towards a more advanced environment. The company strives to minimize the negative environmental impact of its activities and operational processes. Saudi Ceramics has adopted several projects to improve air quality, reduce carbon emissions, provide a healthy and pollution-free environment, and implement energy-saving measures.

Social Responsibility

We believe that it is our duty to work towards improving society and contributing to sustainable development by giving, offering support, and assisting wherever possible. We encourage working with ethical values and fulfilling our role in improving the standard of living for community members, creating a positive and sustainable social impact, and enhancing our role in serving the local community.

Environment and Sustainable Development

Saudi Ceramics will continue its commitment to reducing emissions in support of Saudi Arabia's vision for sustainability, dedicating efforts to mitigate impacts through the implementation of several initiatives related to energy efficiency and the use of technologies to reduce harmful emissions through Heat Recovery System. Saudi Ceramics strives to continue reducing water consumption and waste impact. The company identifies the goals of sustainable development and manages climate-related risks associated with its operations. It is committed to providing all necessary resources to meet environmental management requirements to minimize negative envi-

ronmental impacts resulting from operational activities. Among the key actions being undertaken in the company are:

- Monitoring the use and application of appropriate control technologies to reduce environmental pollution.
- Compliance with applicable environmental regulations and other related requirements. Reducing waste of materials and energy emissions, and adopting more effective practices to protect the environment.
- Continuing to work towards achieving and setting the highest environmental standards, with regular monitoring and audits, and taking appropriate measures to minimize or prevent the recurrence of conditions that negatively impact the environment.
- Engaging in activities within the framework of the environmental management system and approved practices.
- Ensuring compliance with environmental management system procedures and practices, reporting any abnormal conditions, and taking the necessary corrective actions.
- Identifying needs, providing training, creating a safe working environment, and issuing guidelines to ensure the activities are carried out within the framework of the environmental management system and approved practices.



Social Responsibility

As a responsible national company and in belief of the importance of corporate social responsibility as part of its values and duty towards society, and contributing to enhancing community participation, the company continued to offer initiatives throughout the year 2022. Saudi Ceramics recognizes the importance of collaborating with relevant authorities through a program in alignment with the Ministry of Human Resources, including, for example, employing and supporting people with disabilities and empowering them in the private sector. Several initiatives were also carried out in 2023, including:

- In collaboration with the Ministry of Human Resources and Social Development, the company is working on employing, supporting, and empowering people with disabilities, with a total of 70 employees.
- Initiatives to support charitable and endowment organizations with the company's products.
- Organizing blood donation campaigns with hospitals and blood banks.
- Continuous support for the Association of Disabled Children.



- Organizing blood donation campaigns with hospitals and blood banks.



- Conducting medical examinations for employees.



- A ceremony to honor employees with disabilities.



- Umrah campaign dedicated to the company's workers.



Disclosure & Transparency Policy

- Disclosure and Transparency Policy
- Provisions of the Corporate Governance Regulations
- Declarations in Accordance with the Governance Regulations for the Year 2024

Disclosure and Transparency Policy

Saudi Company aims to provide all stakeholders and interested parties with accurate and updated information on a regular basis. The Disclosure and Transparency Policy covers the company's current activities, where information is disclosed and updated upon any change or significant event in these activities.

The company discloses information related to its organizational structure, operations, partners, investments, and other business activities, and updates them regularly. As a listed joint-stock company, the company is committed to appropriately responding to all inquiries raised by shareholders, investors, consumers, customers, government entities, media, and other stakeholders.

The company understands the needs of shareholders for information to make informed decisions. Therefore, it discloses information as required and when allowed by relevant regulations, using appropriate disclosure methods to enable shareholders and stakeholders to access financial and non-financial information related to the company's performance, information related to share ownership, and to obtain a comprehensive view of the company's situation.

All disclosures are made to shareholders and investors without discrimination, in a clear, accurate, and non-misleading manner, and in a timely, regular, and precise manner to enable shareholders and stakeholders to exercise their full rights to the greatest extent possible.

The information disclosed by the company under this policy, the 'Disclosure and Transparency Policy,' is made available across various websites, including the company's website and the Saudi Stock Market (Tadawul).

The following information is updated and published annually or as required by relevant laws, rules, and regulations. This list is for example purposes only and is not exhaustive, and other useful information is disclosed when necessary:

- Change in Board Members
- Change in the Membership of the Board Committees
- Board Members Report
- Quarterly Financial Statements and Annual Financial Statements
- Accounting Policies
- Transactions with Related Parties

- Auditor's report on quarterly and annual financial statements
- Significant Changes in the Company's Activities
- Material Events That Have a Significant Impact on the Company's Operations

The company refrains from publishing information in the usual manner in the following cases:

- When the disclosure of information would harm – or is likely to harm – the company's commercial interests or those of its business partners.
- When the company receives information in a confidential manner, such that disclosing it would violate this confidentiality.
- Personal information of the company's employees, board members, or any other individuals, where disclosing such information would violate data protection principles.
- When the information is subject to legal privilege.

Provisions of the Corporate Governance Regulations

"The Board Members approved the company's Governance Regulations (3rd edition) on 15/06/2022, which are in compliance with the relevant regulations, the Corporate Governance Regulations issued by the Capital Market Authority, and best practices. The company applies all provisions in the Corporate Governance Regulations issued by the Capital Market Authority Board under decision No. 2017-16-8, dated 16/05/1438H, based on the Companies Law issued by Royal Decree No. M/3, dated 01/28/1437H, as amended by the Capital Market Authority Board's decision No. 8-5-2023, dated 25/06/1444H, corresponding to 18/01/2023, based on the Companies Law issued by Royal Decree No. M/132, dated 01/12/1443H, except for the advisory provisions mentioned below, during the fiscal year 2024:

Article Number/Paragraph	Article/Paragraph Text	Reasons for Non-Application
(67)	Formation of the Risk Management Committee (Advisory)	The Board of Directors does not see the need to form an independent Risk Management Committee at this time, as there is an independent Risk Management Department within the company's organizational structure that provides the necessary support to the Board in managing risks.
(68)	Functions of the Risk Management Committee (Advisory)	
(69)	Meetings of the Risk Management Committee Advisory	
(92)	Formation of the Corporate Governance Committee (Advisory)	The Board of Directors and its committees monitor and implement the regulations.

Declarations in Accordance with the Governance Regulations for the Year 2024

Declaration/Confirmation:

1 The Board of Directors did not recommend changing the external auditor before the end of the appointed term during the year 2024.

2 "There are no recommendations from the Audit Committee that conflict with the decisions of the Board of Directors or that the Board has rejected regarding the appointment or dismissal of the company's external auditor, determination of their fees, evaluation of their performance, or the appointment of the internal auditor.

3 "There are no deviations from the accounting standards approved by the Saudi Organization for Certified Public Accountants.

4 The company's external auditor did not provide any advisory services to the company during the year 2024 and did not receive any fees in this regard.

5 "The company did not receive a request from the external auditor to convene the General Assembly during the concluded fiscal year, and no such meeting was held.

6 "The appropriate time and place were chosen to ensure the participation of the largest number of shareholders in the General Assembly meeting, and the topics presented to the assembly were accompanied by sufficient information to enable shareholders to make informed decisions.

7 "Shareholders were enabled to discuss the topics listed on the General Assembly agenda and direct questions to the Board members and the external auditor, with responses provided. Additionally, shareholders were given the opportunity to actively participate and vote in General Assembly meetings, and they were informed of the rules governing these meetings and the voting procedures through the General Assembly invitation, in accordance with regulatory requirements.

8 "The company is committed to enabling shareholders to review the minutes of shareholder meetings at the company's headquarters. It also ensures that the relevant authorities receive a copy of the shareholder meeting minutes within the regulatory timeframes. Additionally, the company is committed to informing the market of the results of the shareholder meetings immediately upon their conclusion.

9 The company has not provided any cash loans of any kind to its Board members, nor has it guaranteed any loan taken by any of them with a third party.

10 "No penalty, sanction, precautionary measure, or restrictive order has been imposed on the company by the Authority or any other supervisory, regulatory, or judicial entity, except as stated in this report.

11 "The company confirms that it has not implemented any procedure or restriction that would hinder a shareholder's right to vote. Shareholders fully enjoy all their rights as stipulated in the Articles of Association and the Governance Regulations, including those related to the General Assembly meetings and other matters .

12 "The company confirms that it has not received any request from shareholders owning 5% or more of the capital to convene the General Assembly or add one or more items to its agenda during the year, and no such meeting was held.

13 "The Chairman of the Board of Directors did not receive any written request to hold emergency meetings from two or more members during the fiscal year ending in 2023.

14 None of the company's debtors were released from their obligations during the year 2023.

15 The Board of Directors did not issue any general or unspecified authorization during the year 2023

16 There are no shares or debt instruments issued for the company's subsidiaries.

17 "There is no interest in any class of voting rights shares (except for members of the company's Board of Directors, senior executives, and their relatives) that has been reported to the company under Article (68) of the Rules on the Offer of Securities and Continuing Obligations, nor any changes in those rights during the last financial year.

18 There are no interests, contractual documents, or subscription rights related to shares or debt instruments of the company or any of its subsidiaries that belong to the board members or their relatives, except as mentioned in this report.

19 There are no interests, contractual documents, or subscription rights related to shares or debt instruments of the company or any of its subsidiaries that belong to senior executives or their relatives, except as mentioned in this report.

20 There are remaining treasury shares from the previous long-term executive incentive program.

21 There are no conversion rights, subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company.

22 There has been no redemption, purchase, or cancellation by the company of any redeemable debt instruments, or the remaining value of securities, whether listed securities purchased by the company or purchased by its subsidiaries.

23 There are no arrangements or agreements under which any member of the company's Board of Directors or any senior executive has waived any rewards.

24 There are no arrangements or agreements under which any shareholder of the company has waived any rights to profits.

25 There are no deviations between the granted rewards and the reward policy.

26 The Board of Directors regularly monitored the work of the committees to ensure they were carrying out the tasks assigned to them.

27 The company is committed to applying the conflict of interest policy previously approved by the Board of Directors.

The Board of Directors confirms:

1. That the accounting records have been prepared correctly.
2. That the internal control system has been established on sound principles and implemented effectively.
3. That there is no doubt regarding the company's ability to continue its operations.

Saudi Ceramic Company (Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

Index

	Page
• Independent auditor's report	-
• Consolidated statement of financial position	1
• Consolidated statement of profit or loss and other comprehensive income	2
• Consolidated statement of changes in equity	3
• Consolidated statement of cash flows	4-5
• Notes to consolidated financial statements	6-49

INDEPENDENT AUDITOR'S REPORT
**TO THE SHAREHOLDERS OF SAUDI CERAMIC COMPANY
A SAUDI JOINT STOCK COMPANY**
(1/6)
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Saudi Ceramic Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the group, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2024;
- The consolidated statements of profit or loss and other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing 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 from the Group in accordance with the International Code of Ethics for Professional Accountants that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these 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
**TO THE SHAREHOLDERS OF SAUDI CERAMIC COMPANY
A SAUDI JOINT STOCK COMPANY**
(2/6)
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
KEY AUDIT MATTERS

Key Audit Matters	How our audit addressed the key audit matter
Inventory Valuation	
The carrying amount of the year-end 31 December 2024 is stated to be \$1,214.5 million, which is 10.2% higher than the previous year ended 31 December 2023. The Group's financial statements are prepared in Saudi Riyals (SR) and the exchange rate is 3.75 SR/USD.	<ul style="list-style-type: none"> ■ evaluated the management policy for reviewing the provision for raw material and finished goods inventories;
Inventory losses are stated at the lower of cost and fair value less cost of disposal, the judgment pertaining to estimates of fair value of inventories, which is subject to audit adjustment in the annual financials and where there is an absence of data, relied on the industry's historical average and current market value for valuation.	<ul style="list-style-type: none"> ■ reviewed the physical inventory count at the year-end to verify the statement of inventories;
Inventory losses are stated at the lower of cost and fair value less cost of disposal, the judgment pertaining to estimates of fair value of inventories, which is subject to audit adjustment in the annual financials and where there is an absence of data, relied on the industry's historical average and current market value for valuation.	<ul style="list-style-type: none"> ■ evaluated the cost of the inventories that included the raw material and finished products;
Inventory losses are stated at the lower of cost and fair value less cost of disposal, the judgment pertaining to estimates of fair value of inventories, which is subject to audit adjustment in the annual financials and where there is an absence of data, relied on the industry's historical average and current market value for valuation.	<ul style="list-style-type: none"> ■ evaluated the cost of the inventories that included the raw material and finished products;
Inventory losses are stated at the lower of cost and fair value less cost of disposal, the judgment pertaining to estimates of fair value of inventories, which is subject to audit adjustment in the annual financials and where there is an absence of data, relied on the industry's historical average and current market value for valuation.	<ul style="list-style-type: none"> ■ evaluated the cost of the inventories that included the raw material and finished products;
Inventory losses are stated at the lower of cost and fair value less cost of disposal, the judgment pertaining to estimates of fair value of inventories, which is subject to audit adjustment in the annual financials and where there is an absence of data, relied on the industry's historical average and current market value for valuation.	<ul style="list-style-type: none"> ■ evaluated the cost of the inventories that included the raw material and finished products;
Inventory losses are stated at the lower of cost and fair value less cost of disposal, the judgment pertaining to estimates of fair value of inventories, which is subject to audit adjustment in the annual financials and where there is an absence of data, relied on the industry's historical average and current market value for valuation.	<ul style="list-style-type: none"> ■ evaluated the cost of the inventories that included the raw material and finished products;

INDEPENDENT AUDITOR'S REPORT
**TO THE SHAREHOLDERS OF SAUDI CERAMIC COMPANY
A SAUDI JOINT STOCK COMPANY**
(3/6)
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
OTHER MATTER

The consolidated financial statements of the Company for the year ended 31 December 2023 were audited by another auditor, who expressed a modified opinion dated Ramadhan 13, 1445 H (corresponding to March 23, 2024). The basis for qualified opinion of the predecessor auditor was as follows:

"The accompanying consolidated statement of financial position include property, plant, and equipment of the Group amounting to Saudi Riyals 1,519 million as at December 31, 2023, the management of the Group has performed detailed assessment to determine the recoverable value of property, plant and equipment of one of its subsidiaries, Ceramic Pipes Company ("CPC"), which resulted in an impairment loss of Saudi Riyals 78 million. While identifying the smallest cash generating unit ("CGU") management has considered all of property, plant and equipment of CPC as a single CGU. Determining the land to be part of the CGU is not in line with International Accounting Standard 36 - Impairment of Assets. Had the land been excluded from the CGU, based on the valuation performed by management, the impairment loss for the year and net loss for the year would have been increased by Saudi Riyals 68 million."

However, we are of the conclusion that the inclusion of land to be part of the CGU is in line with International Accounting Standard 36 - Impairment of Assets on the premise that the land is part of 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.

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 when it becomes available 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.

INDEPENDENT AUDITOR'S REPORT
**TO THE SHAREHOLDERS OF SAUDI CERAMIC COMPANY
A SAUDI JOINT STOCK COMPANY**
(4/6)
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and Regulations for Companies and the Company's Bylaws 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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the 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 International Standards on Auditing that are 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 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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 omission, misrepresentation, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

INDEPENDENT AUDITOR'S REPORT

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

5/6

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Coached 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's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of 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.

INDEPENDENT AUDITOR'S REPORT

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

{6/6}

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

For PKF Al Bawani,
chartered accountants

Ahmed Abdolkarim Mohammadi
Certified Public Accountant
License No. 477
Riyadh 3 Ramadan 1446H
Corresponding to 3 March 2023

SAUDI CERAMIC COMPANY

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

(In Saudi Riyals Thousand)

		31 December 2024	31 December 2023 (Restated – Note 33)	1 January 2023 (Restated – Note 33)
	Note			
Assets				
Non-current assets				
Property, plant and equipment, net	5	1,546,358	1,513,398	1,611,045
Right of use assets, net	6	105,967	86,446	87,532
Intangible assets, net		6,285	-	-
Investment in associate	7	-	1,283	9,054
Financial assets at fair value through OCI ("FVOCI")	8	7,877	7,816	7,421
Total non-current assets		1,666,487	1,608,943	1,715,052
Current assets				
Inventories, net	9	704,580	900,259	957,439
Trade and other receivables	10	263,174	286,865	275,341
Assets held for sale	12	72	8,955	-
Cash and cash equivalents	11	42,296	63,754	69,590
Financial derivative		-	-	6,647
Total current assets		1,010,122	1,259,833	1,309,017
Total assets		2,676,609	2,868,776	3,024,069
Equity and liabilities				
Equity				
Share capital	13	1,000,000	800,000	800,000
Statutory reserve	14	-	241,715	241,715
Treasury shares	15	(9,112)	(449)	(2,663)
Fair value reserve		3,652	3,591	3,196
Retained earnings		429,053	459,652	707,454
Total equity attributable to the shareholders		1,423,593	1,504,509	1,749,702
Non-controlling interest	31	1,107	9,656	36,770
Total equity		1,424,700	1,514,165	1,786,472
Liabilities				
Non-current liabilities				
Long-term borrowings, non-current portion	16.1	219,040	299,229	282,805
Lease liabilities, non-current portion	6	62,583	65,570	68,712
Employees' post-employment benefits	17	90,808	87,620	90,868
Total non-current liabilities		372,431	452,419	442,385
Current liabilities				
Short term borrowings	16.3	405,855	279,972	161,225
Long-term borrowings, current portion	16.1	110,950	231,376	220,374
Lease liabilities, current portion	6	34,645	15,773	13,444
Trade and other payables	18	317,233	341,097	369,988
Zakat provision	19	10,795	33,974	30,181
Total current liabilities		879,478	902,192	795,212
Total liabilities		1,251,909	1,354,611	1,237,597
Total equity and liabilities		2,676,609	2,868,776	3,024,069

The accompanying Notes from (1) to (35) form an integral part of these consolidated financial statements

Abdulaziz Abdulkareem Alkhuraiji
Vice Chairman of the Board



Azzam Saud Al-Mudaihim
Chief Executive Officer



Mohamed Shaaban
Chief Financial Officer



SAUDI CERAMIC COMPANY

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

(In Saudi Riyals Thousand)

		Note	2024	2023
Profit or loss				
Revenues, net	20		1,348,797	1,314,868
Cost of sales	21		(1,095,053)	(1,077,545)
Gross profit			253,744	237,323
Selling and marketing expenses	22		(227,967)	(197,865)
General and administrative expenses	23		(64,669)	(61,435)
Reversal of provision against legal cases			2,894	-
Reversal / (provision) of expected credit losses	10-B		4,421	(5,499)
Impairment loss on subsidiary and business unit	5-E,5-F		(51,070)	(78,224)
Impairment loss of property, plant, and equipment due to fire	32		-	(136,880)
Impairment of inventories due to fire	9,32		-	(27,964)
Operating (loss)			(82,647)	(270,544)
Other income	25		57,616	97,257
Finance costs	24		(46,163)	(42,967)
Share of results of associate	7		-	205
Net loss before zakat			(71,194)	(216,049)
Zakat Expense	19		(8,058)	(21,470)
Net loss for the year			(79,252)	(237,519)
Other Comprehensive Income				
Items not to be reclassified to profit or loss in subsequent years				
Remeasurement gain on defined employees' benefit plan obligations	17		(435)	2,587
Change in the Fair Value of Financial assets at FVOCI	8		61	395
Total other Comprehensive (loss) / income			(374)	2,982
Total comprehensive loss for the Year			(79,626)	(234,537)

Net loss for the year attributable to:

Shareholders of the Group	(71,859)	(210,351)
Non-Controlling Interest	(7,393)	(27,168)
	(79,252)	(237,519)

Losses per share (SAR)

Basic and diluted loss per share attributable to shareholders	(0.80)	(2.33)
---	---------------	--------

Total Comprehensive loss for the year attributable to:

Shareholders of the Group	(72,253)	(207,423)
Non-Controlling Interest	(7,373)	(27,114)
	(79,626)	(234,537)

The accompanying Notes from (1) to (35) form an integral part of these consolidated financial statements

Abdulaziz Abdulkareem Alkhuraiji
Vice Chairman of the Board



Azzam Saud Al-Mudaihim
Chief Executive Officer



Mohamed Shaaban
Chief Financial Officer



SAUDI CERAMIC COMPANY
(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand)

	Share capital	Statutory reserve	Treasury shares	Fair value reserve	Retained earnings	Total equity attributable to the shareholders	Non-controlling interest	Total Equity
For the year ended 31 December 2023								
Balance as of January 1, 2023	800,000	241,715	(2,663)	3,196	707,454	1,749,702	36,770	1,786,472
Net loss for the year	-	-	-	-	(210,351)	(210,351)	(27,168)	(237,519)
Other comprehensive income	-	-	-	395	2,533	2,928	54	2,982
Total comprehensive (loss) for the year	-	-	-	395	(207,818)	(207,423)	(27,114)	(234,537)
Issuance of treasury shares	-	-	2,214	-	-	2,214	-	2,214
Dividends paid	-	-	-	-	(39,984)	(39,984)	-	(39,984)
Balance as of 31 December 2023	800,000	241,715	(449)	3,591	459,652	1,504,509	9,656	1,514,165
For the year ended 31 December 2024								
Balance as of January 1, 2024	800,000	241,715	(449)	3,591	459,652	1,504,509	9,656	1,514,165
Net loss for the year	-	-	-	-	(71,859)	(71,859)	(7,393)	(79,252)
Other comprehensive (loss) / income for the year	-	-	-	61	(455)	(394)	20	(374)
Total comprehensive (loss) for the year	-	-	-	61	(72,314)	(72,253)	(7,373)	(79,626)
Issuance of bonus shares (Note 13)	200,000	-	-	-	(200,000)	-	-	-
Transferring the statutory reserve to retained earnings (Note 14)	-	(241,715)	-	-	241,715	-	-	-
Purchase of treasury shares (Note 15)	-	-	(8,663)	-	-	(8,663)	-	(8,663)
Acquisition of non-controlling interest (Note 1)	-	-	-	-	-	(1,176)	(1,176)	(1,176)
Balance as of 31 December 2024	1,000,000	-	(9,112)	3,652	429,053	1,423,593	1,107	1,424,700

The accompanying Notes from (1) to (35) form an integral part of these consolidated financial statements

Abdulaziz Abdulkareem Alkhurajji
Vice Chairman of the Board

Azzam Saud Al-Mudaihim
Chief Executive Officer

Mohamed Shaaban
Chief Financial Officer

SAUDI CERAMIC COMPANY
(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(In Saudi Riyals Thousand)

	Note	2024	2023 (Restated – Note 33)
Cash flows from operating activities			
Net loss for the year before zakat		(71,194)	(216,049)
Adjustments to reconcile net loss for the year before zakat to net cash provided by operating activities			
Depreciation of property, plant, and equipment	5	117,142	122,954
Gains from the sale of property, plant, and equipment	25	(8,034)	(36,801)
Gains from the sale of assets held for sale	12	(4,292)	-
Depreciation of right-of-use assets	6	19,539	16,454
Amortization of intangible assets		358	-
(Reversal) / Provision charged for expected credit losses	10	(4,421)	5,499
Provision for customer's incentive, net	10	(2,505)	32,153
Net provision charged for damaged, obsolete, and slow-moving Inventories	9	43,548	63,434
Impairment loss on Inventories related to a fire incident		-	27,964
Acquisition of non-controlling interest		(1,176)	-
Impairment of property, plant, and equipment related to a fire incident		-	136,880
Impairment loss on subsidiary and business unit	5	51,070	78,224
Reversal of legal case provision		(2,894)	-
Reversal of zakat provision	19	(4,858)	49,648
Finance costs		46,163	13,276
Employees' post-employment benefits charged	17	13,276	13,008
Change on derivative financial assets		-	6,647
Gain on sale of investment in associates	7	(3,807)	(23,137)
Group's share from associate's profit		-	(205)
Changes in operating assets and liabilities		187,915	276,673
Trade and other receivables		30,617	(49,176)
Inventories		152,131	(34,218)
Trade and other payables		(20,970)	(28,891)
Employees' post-employment benefits paid	17	(10,523)	(13,669)
Zakat paid	19	(26,379)	(17,677)
Net cash generated from operating activities		312,791	133,042
Cash flows generated from investment activities			
Purchase of property, plant, and equipment	5	(203,034)	(263,363)
Acquisition of intangible assets		(6,643)	-
Proceeds from sale of property, plant, and equipment		9,896	50,798
Proceeds from sale of assets held for sale	12	13,175	-
Proceeds from sale of investment in associates	7	5,090	30,605
Dividends received from associate		-	508
Net cash used in investment activities		(181,516)	(181,452)

The accompanying Notes from (1) to (35) form an integral part of these consolidated financial statements.

Abdulaziz Abdulkareem Alkhurajji
Vice Chairman of the Board

Azzam Saud Al-Mudaihim
Chief Executive Officer

Mohamed Shaaban
Chief Financial Officer

SAUDI CERAMIC COMPANY

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

(In Saudi Riyals Thousand)

	Note	2024	2023 (Restated – Note 33)
Cash flows from financing activities			
Proceeds from short-term borrowings	16	667,329	118,164
Repayments of short-term borrowings	16	(543,180)	-
Proceeds from Long-term borrowings	16	305,546	236,002
Repayments of long-term borrowings	16	(505,815)	(209,482)
Dividend paid		-	(39,984)
Treasury shares (issued) /disposal	15	(8,663)	2,214
Lease liabilities paid	6	(29,342)	(19,244)
Finance costs paid		(38,608)	(45,096)
Net cash (used in) / generated from financing activities		(152,733)	42,574
Net change in cash and cash equivalents		(21,458)	(5,836)
Cash and cash equivalents at the beginning of the year		63,754	69,590
Cash and cash equivalents at the end of the year		42,296	63,754
Non-cash transactions			
Change in financial assets at fair value through OCI ("FVOCI")		61	395
Increase in share capital by Issuance of bonus shares		200,000	-
Transferring the statutory reserve to retained earnings		241,715	-
Additions to right of use assets		39,060	15,368
Additions to lease liabilities		39,060	14,766

The accompanying Notes from (1) to (35) form an integral part of these consolidated financial statements

Abdulaziz Abdulkareem Alkhurajji
Vice Chairman of the Board



Azzam Saud Al-Mudaihim
Chief Executive Officer



Mohamed Shaaban
Chief Financial Officer



SAUDI CERAMIC COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2024

(In Saudi Riyals Thousand unless stated otherwise)

1- ORGANIZATION ACTIVITIES

A- Saudi Ceramic Company ("Company") is a Saudi joint stock company established by Royal Decree No. (M/16) on Rabi Thani 25, 1397AH (corresponding to April 14, 1977), registered in the Kingdom of Saudi Arabia under the Commercial Register No. 1010014590 issued in Riyadh in Safar 15, 1398 AH (corresponding to January 24, 1978).

The Company is engaged in the production and sale of ceramic products, water heaters and related components. The Company is also involved in the import of related machinery, equipment and other accessories.

B- The Consolidated financial statements for the year ended 31 December 2024, includes the activities of the parent company and the following subsidiaries (the Company and its subsidiaries hereinafter referred to as the "Group").

Subsidiary company	Main operation	Ownership percentage as at	
		31 December 2024	31 December 2023
Ceramics pipes company *	Import and export, wholesale and retail trading of clay pipes	77.89%	73.89%
Arzan Company **	Operation and maintenance	100%	100%
Ceramics Investment Company ***	Marketing services, wholesale and retail trading	98.69%	98.69%

* On July 4, 2024, the Saudi Ceramic Company acquired an additional 4% equity of Ceramic Pipes Company based on waiver agreement with shareholder Khaled Saleh Abdulaziz Al Rajhi, resulting in the increase in Group's ownership percentage to 77.89%.

** Arzan Company and Ceramics Investment Company did not start commercial operations from date of their establishment until 31 December 2024.

*** The ownership percentage of the Saudi Ceramic Company is represented in the Ceramic Investment Company at "98.89%", and the ownership percentage consists of 95% direct and 3.89% indirect shareholding, through the Ceramic Pipes Company.

C- The consolidated financial statements represent the assets, liabilities and operations' results for the main and sub-commercial registration, also including the assets and liabilities and operations' results for the subsidiaries, Ceramic Pipes Company (a closed joint stock company), Arzan Company (a limited liability company), Ceramic Investment Company (a limited liability company), (the "Group").

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

2 - BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention except where IFRS require other measurement basis as disclosed in the material accounting policies in Note 4 of the consolidated financial statements.

The preparation of these consolidated financial statements in conformity with IFRS required management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts in the consolidated financial statements. These critical accounting judgements and key sources of estimations are disclosed in Note 4.

2.3 Functional and presentation currency

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

2.4 Basis of consolidation

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

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

The Group controls an investee when it has:

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

The subsidiaries' operations results are included in consolidated profit or loss and other comprehensive income from the date of owning them, which is the date on which the control commences.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

2 - BASIS OF PREPARATION (Continued)

2.5 New standards and amendments to standards and interpretations

The following new amendments to standards, enlisted below, are effective from 1 January 2024 but they do not have a material effect on the Group's financial statements.

Amendments to standard	Description	Effective from the accounting period beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	<p>The amendment has clarified</p> <ul style="list-style-type: none"> ▪ what is meant by a right to defer settlement, ▪ that a right to defer must exist at the end of the reporting period, ▪ that classification is unaffected by the likelihood that an entity will exercise its deferral right, and ▪ that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	<p>These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.</p>
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	<p>These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.</p>

2 - BASIS OF PREPARATION (Continued)

2.5 New standards and amendments to standards and interpretations (Continued)

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

Amendments to standard	Description	Effective from	Summary of amendment
IAS 21	Lack of Exchangeability	January 1, 2025	<p>The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.</p>
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026	<p>These amendments clarify financial assets, and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date. They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features. Additionally, these amendments introduce new disclosure requirements and update others.</p>
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	<p>IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes. Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature. IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in financial statements, introduces new disclosure requirements for management-defined performance measures (MPMs)* and eliminates classification options for interest and dividends in the statement of cash flows.</p>
IFRS 19	Subsidiaries without Public Accountability	January 1, 2027	<p>IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.</p>

Management anticipates that these amendments will be adopted in the Group's financial statements as and when it is applicable, and adoption of this amendments may have no material impact on the financial statements of the Group in the period of initial application.

3 - MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of these Consolidated Financial Statements, in conformity with IFRS as endorsed in the Saudi Arabia, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the Consolidated Statement of Financial Position date.

Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Areas involving higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

Employees' post-employment benefits

The Group's obligation in respect of defined benefit plan is calculated by estimating the value of future benefits that employees have earned in the current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by an independent actuary using the projected unit credit method. Significant assumptions used to carry out the actuarial valuation have been disclosed in Note 16 to these consolidated financial statements.

Impairment of inventories

The management estimates the impairment in the inventories to reach the net realizable value if its cost is not recoverable or it becomes damaged as a whole or a part of it, or if its selling price is less than its cost or if there are any other factors that may lead to a decrease in its realizable value for less than its cost. 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 prices or costs directly related to events occurring subsequent to the financial statements date to the extent that such events confirm conditions existing as at the end of reporting period.

For raw materials and spare parts, the Group applies the replacement cost method or perform specific assessment if replacement cost is not appropriate, to assess their valuation. If the replacement cost of raw materials is lower than the recorded cost, an adjustment is made to reflect the lower replacement cost. Similarly, spare parts that are damaged or obsolete are reviewed periodically, and provisions are recorded if their replacement cost is lower than their carrying value.

Impairment of non-financial assets

At each reporting date, the Group management reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. When such an indicator exists, the recoverable amount of the asset is estimated.

For the purpose of assessing the impairment, assets are Grouped at the lowest levels for which there are cash flows resulting from continuous use that are largely independent from other assets and cash-generating units. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use or fair value less costs to sell. The value in use is based on the future cash flows deducted from its current value using a discount rate reflects the current market assessments of current value of money and risks related to an asset or cash-generating unit.

Impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

The Impairment losses are recognized in the Consolidated statement of profit or loss and other comprehensive income, and the impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed its carrying amount, net of depreciation or amortization, which would have been determined if the impairment losses have not been recognized.

3 - MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Fair value measurement

Fair value is the selling price received to sell an asset or paid to transfer liability within an orderly transaction between market participants on the measurement date or in the absence of that market, the best market available on that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. The fair values are categorized into hierarchical levels based on the data used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that may be obtained on the measurement date.
- Level 2: Inputs other than quoted prices that are not included in the first level and that can be observed for assets and liabilities directly (such as prices) or indirectly (that are derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy. Then the measurement is categorized in its entirety as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. As at 31 December 2024 and 31 December 2023, there are no transfers between levels.

The carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy have been disclosed.

Useful lives, residual values, or depreciation method of property, plant and equipment

The Group's management determines the estimated useful lives for property, plant and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives, residual values, or depreciation method for property, plant and equipment annually. Future depreciation expense would be adjusted where management believes that useful lives, residual values, or depreciation method differ from those used in previous periods.

Change in Accounting Estimate – Depreciation of Leasehold Improvements

During the year ended 31 December 2024, the Group reassessed the depreciation for leasehold improvements. Previously, leasehold improvements were depreciated over the lower of their useful life or the lease term. Effective 1 January 2024, the Group has changed this estimate to depreciate leasehold improvements over the lower of their useful life or the expected lease term.

This change in estimate was made to provide a more accurate reflection of the period over which the economic benefits of leasehold improvements are expected to be realized, considering factors such as renewal options and lease agreements. The change has been applied prospectively in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The impact of this change on the consolidated financial statements for the year ended 31 December 2024 is as follows:

- (Decrease) in depreciation expense: SAR 2.3million
- Increase in net profit: SAR 2.3million

Future periods may be impacted depending on changes in lease terms and renewals. This change does not affect prior-period financial statements and does not require restatement.

Going concern

The management of the Group has assessed the Group's ability to continue as a going concern and concluded that the Group has sufficient resources to continue its business in the foreseeable future. In addition, the management does not have any material doubts about the Group's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

4 - MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and demand deposits with banks, and other short-term, highly liquid investments whose maturity dates are within three months or less of the original investment date and available to the Group without restrictions, and the cash flows statement is prepared according to the indirect method.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Depreciation is recognized to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Leasehold improvements are depreciated on a straight-line basis over the shorter of the useful life of the improvements, or the expected lease term.

Expenditure on repair and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income as incurred with the exception of costs that extend the useful life of the asset or increase its value, which are then capitalized.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing property, plant and equipment are recognized in the consolidated statement of profit or loss and other comprehensive income.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of assets.

The Group applies the following useful lives for depreciation to its property, plant and equipment:

Description	Useful life (years)	Description	Useful life (years)
Buildings	10-33.33	Furniture and fixtures	4-10
Machinery and equipment	20	Leasehold improvements	useful life or expected lease term which is lower
Motor Vehicles	4	Tools	10

The useful life and depreciation methods are reviewed yearly to ensure that the depreciation method and useful life are in line with the expected economic benefits from property, plant and equipment.

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed by the Group at each financial year-end. During 2024, the Group reviewed the useful lives and residual value of the main items of property, plant, and equipment using internal technical team. Based on the results of the review, the maximum estimated useful life of the leasehold improvement category was adjusted to 10 years for some locations instead of 4 years.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Capital work in progress (CWIP)

Capital work in progress is stated at cost less any impairment losses. All expenditure incurred during installation and construction period, in connection with specific assets, are carried to CWIP. The cost of CWIP is transferred to the appropriate category of property, plant and equipment when it is ready for use. The cost of CWIP comprises purchase price and costs directly attributable to bringing the CWIP for its intended use.

Assets held for sale

The Group classifies non-current assets and disposal Groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal Groups classified as held for sale are measured at the lower cost of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal Group), excluding finance costs.

The criteria for assets held for sale classification are regarded as met only when the sale is highly probable, and the asset or disposal Group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the assets, and the sale is expected to be completed within twelve months from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Right-of-use assets and lease liabilities

The Group recognizes new assets and liabilities for its leases of various types of contracts including warehouse and depot facilities, accommodation/office rental premises, showrooms etc. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to the Consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations, significant leasehold improvements over the term of the lease that have significant economic benefit to the Group's operation, the importance of the leased asset to the Group's operation and whether alternatives are available for the Group and business disruption required to replace the leased asset.

Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. Trade receivables are stated net off provision for expected credit loss and provision for customers' incentive.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives of 15 years. Subsequent expenditure is capitalized only if it is probable that the future economic benefits are associated with the expenditure will flow to the Group and amount can be measured reliably. Intangible assets' residual values, useful lives and impairment indicators are reviewed at the end of each financial year and adjusted prospectively, if considered necessary. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Investments in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

Inventories

Inventories are recorded at cost or net realizable value, whichever is the lower. Cost is determined by using the weighted average method. The cost of inventories comprises all costs of purchases, costs of conversion and other costs incurred in bringing the Inventories to their present location and conditions. In the case of finished production and in-progress Inventories, cost includes the appropriate share of production overheads based on normal operating capacity.

The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in Consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as current liability if there is no right to defer settlement for at least 12 months from the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalized during idle periods.

All other borrowing costs are recognized in the Consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Trade and other payables

Liabilities are recognized for amounts due and to be paid in the future for goods or services received, whether billed by the supplier or not.

- **Trade payables** represent amounts due to suppliers for goods and services received. They are recognized at invoice amount and subsequently measured at amortized cost. Foreign currency payables are translated at the reporting date exchange rate.
- **Accruals** include expenses incurred but not yet invoiced, such as purchases, employee benefits, utilities, rent, and other costs, measured at the best estimate of the payable amount.

Employees' post-employment benefits

Defined employees' benefits plan

According to the Saudi Labor Law in the Kingdom of Saudi Arabia, the Group is required to pay end-of-service benefits (a defined benefit plan), which are calculated based on the half of the last month's salary of each year of the first five years of service, including the fractions of the year plus the full last month's salary for each year of the next or remaining service includes fractions of the year. End-of-service benefit plan is unfunded.

Valuation technique and key assumptions for the actuarial study

Under requirements of IAS 19 "Employees' benefits", end-of-service benefits obligations are calculated using the actuarial valuation and using the projected unit credit method at the end of each fiscal year. Gains or losses arising from the actuarial revaluation are recorded in the statement of comprehensive income for the period in which the revaluation occurred. The recognized remeasurement in OCI is immediately included under the retained earnings and is not included under profit or loss. Past service cost is calculated in profit or loss during the plan amendment period. The interest is calculated using the discount rate at the beginning of the period, on the employees' defined benefits obligations. The current service cost of the defined benefit plan is recognized in the Consolidated statement of profit or loss and other comprehensive income under employee's benefits expense, to reflect the increase in the liability resulting from employee services for the current year and cases of change, curtail or settlement of benefits. The cost of services for previous years is included immediately in the Consolidated statement of profit or loss and other comprehensive income.

Actuarial gains and losses resulting from adjustments and changes in actuarial assumptions are charged and included in the equity in the statement of other comprehensive income in the period in which they arise.

Defined benefit costs are classified as follows:

- Service cost (including current service costs and past service costs, in addition to gains and losses resulting from employees' promotions and reimbursements);
- Interest cost, and
- Re-measurement.

Short-term employees' benefits

Liability is recognized and measured for benefits related to wages, salaries, annual leave and sick leave in the period in which the service is provided on the undiscounted amounts of the benefits expected to be paid in exchange for those services.

Foreign currency transactions

Foreign currency transactions are initially recognized by the Group's entities at their respective functional currencies' spot rate at transaction date. At the reporting date, monetary assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date. Any gains and losses arising from repayments or foreign currency exchange are included in the Consolidated statement of profit or loss and other comprehensive income.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Zakat provision

Zakat provision is calculated in accordance with the Zakat, Tax and Customs Authority ("ZATCA") provisions and rules in the Kingdom of Saudi Arabia. Zakat is calculated for the period in an estimate, and the provision for Zakat is charged in a separate item in the Consolidated statement of profit or loss and other comprehensive income. Additional Zakat liability, if any, related to prior years' assessments are accounted for in the future period up to the year in which the final assessments are settled.

Provision for Zakat and Taxes

In making estimates for the zakat and tax payable by the Group, management considers applicable laws and past decisions and judgments of the Zakat, Tax and Customs Authority ("ZATCA") in Kingdom of Saudi Arabia.

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) at the statement of financial position date arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to that liability.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is the pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Liability

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Earnings per share

Basic earnings per share is calculated from net profit by dividing the net profit for the year by the weighted average number of shares outstanding at the end of the year.

Segmental 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 those arising from transactions with other components of the Group. The performance of each operating segment is regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance evaluation purposes, based on internal management reports. The segment information reported here includes both items directly attributable to a segment and items allocated on a consistent, systematic basis. Operating segments are aggregated for external reporting if they share similar economic characteristics, such as the nature of products and uniformity in production processes.

Treasury Shares

Own equity instruments that are required (treasury shares), for discharging obligations under the Employee Share Program, are recognized at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognized in the consolidated statement of profit or loss and other comprehensive income and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in retained earnings.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

The Group recognizes revenue when a customer obtains control of the goods, typically at the point of delivery and acknowledgment, in accordance with the five-step model under 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 is the amount of consideration the Group expects to be entitled to in exchange for fulfilling its performance obligations (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 as each performance obligation is satisfied, i.e., when the promised products or services are transferred to the customer and the control is obtained. This may occur over time or at a point in time.

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

Revenue is recognized at the point in time when the performance obligation is satisfied, typically upon delivery or shipment of the products in accordance with contractual terms, at which point control is transferred to the customer and the Group no longer retains effective management involvement.

The Group offers trade discounts to retail and wholesale customers, which are recognized in accordance with IFRS 15.

For retail customers, trade discounts are applied at the point of sale and deducted upfront from the transaction price. These discounts are not contingent on future events and are directly reflected in the invoice, reducing the revenue recognized at the time of sale.

For wholesale customers, discounts are announced in advance for specific products and for a defined period. These discounts are not reflected in the invoice at the time of sale but are recorded as an accrual based on actual sale made during the period. At the end of each month, the accrued discount amount is recognized as a reduction in revenue and adjusted through credit notes issued against the customers' trade receivable balances.

Goods sold through showrooms are primarily on a sale or return basis. An allowance for expected sales returns is estimated based on historical trends and the allowed return period. The estimated sales returns are deducted from revenue, with a corresponding refund liability recognized to reflect the obligation to refund customers.

Sales to wholesale customers frequently include target-based sales incentives, which are linked to bulk purchases over a period of up to 12 months, as specified in both the contract and the entity's general policy. Revenue is initially recognized at the transaction price based on actual sales, without considering incentives. A provision for these incentives is recorded on a monthly basis for eligible customers, reflecting the estimated reduction in revenue due to expected incentive payouts upon target achievement. This provision is subsequently adjusted in the following period through the issuance of a credit note against the customer's outstanding trade receivable balance. Any unsettled incentive provision at year-end is presented net of sales and trade receivables, ensuring that the recognized revenue reflects the final transaction price in accordance with IFRS 15. Credit notes issued in the subsequent period finalize the settlement of these incentive provisions.

Expenses

All expenses are recognized on an accrual basis, and operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw materials, direct labor and other related indirect costs. Other costs such as selling costs are recorded as selling and marketing expenses, while all other remaining costs are shown as general and administrative expenses.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). For Investments designated as FVOCI and for which management has an intention to sell such investments within a period of 12 months from the financial year end, are classified under current assets. The Group initially recognizes financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following financial assets:

- Financial assets at amortised cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost. A gain or loss on a debt investment subsequently measured at amortized cost and not part of a hedging relationship is recognized in the Consolidated statement of profit or loss and other comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Financial Assets at FVOCI

The Group generally elects to recognize changes in the fair value of investments in equity in OCI. These changes are accumulated within the 'other reserve' classified under equity. The Group may transfer this amount from other reserve to retained earnings when the relevant shares are derecognized.

Dividends from such investments continue to be recognized in the Consolidated statement of profit or loss and other comprehensive income as other income when the Group's right to receive payments is established. Accumulated gains and losses on these financial assets are never recycled to the Consolidated statement of profit or loss and other comprehensive income.

Financial Liabilities

Financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset, and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Liabilities (Continued)

The Group recognizes financial liabilities initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities of the Group comprise of bank borrowings and trade and other payables.

Impairment
Financial Assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been Grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward-looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

Impairment of Non-Financial Assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use.

In determining fair value less costs to sell, the most recent market transactions are taken into consideration. If no such transactions can be identified, an appropriate valuation model is used.

Value in use is based on a discounted cash flow model, whereby the expected future cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated statement of profit or loss and other comprehensive income.

4 - MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of Non-Financial Assets (Continued)

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units. Any remaining impairment loss is then allocated to reduce the carrying amounts of other assets in the unit on a pro-rata basis. At each reporting date, the Group assesses whether there is any indication that a previously recognized impairment loss (excluding goodwill impairment) may no longer exist or may have decreased. If such evidence exists, the Group estimates the recoverable amount of the asset or cash-generating unit. An impairment loss recognized previously is reversed only if there has been a change in the assumptions used to determine the recoverable amount and only if the new recoverable amount is higher than the current carrying amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount the asset would have had, net of depreciation, had no impairment loss been recognized in prior years. Such a reversal is recognized in profit or loss, except for revalued assets, where it is recognized in other comprehensive income.

Any impaired non-financial assets, other than goodwill, are examined for possible reversal of impairment at the end of each financial reporting period.

SAUDI CERAMIC COMPANY

(Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**
(In Saudi Riyals Thousand unless stated otherwise)

5 - Property, plant and equipment, net

The movement in property, plant, and equipment during the year ended 31 December 2024 is as follows:

As at 31 December 2024	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Assets under construction	Tools	Total
Cost									
Balance at the beginning of the year	312,375	1,007,092	2,569,267	112,471	86,006	45,432	218,102	66,280	4,417,025
Additions	-	-	15,074	7,160	5,832	-	166,531	8,437	203,034
Transfers during the year	-	10,034	9,935	3,689	-	7,123	(30,781)	-	-
Disposals	(1,690)	(35)	(19,187)	(1,751)	(810)	(4,920)	-	-	(28,393)
Reclassification	-	-	121	1,315	463	-	(1,963)	64	-
Balance, end of the year	310,685	1,017,091	2,575,210	122,884	91,491	47,635	351,889	74,781	4,591,666
Accumulated Depreciation and impairment									
Balance at the beginning of the year	-	720,995	1,947,358	93,429	72,151	35,591	-	34,103	2,903,627
Charges for the year	-	31,515	65,327	6,898	5,352	2,565	-	5,485	117,142
Disposals	-	(35)	(19,187)	(1,731)	(658)	(4,920)	-	-	(26,531)
Impairment loss (Note 5E, 5F)	-	23,556	27,514	-	-	-	-	-	51,070
Reclassification	-	1,303	(1,381)	712	669	(1,303)	-	-	-
Balance, ending of the year	-	777,334	2,019,631	99,308	77,514	31,933	-	39,588	3,045,308
Net book value	310,685	239,757	555,579	23,576	13,977	15,702	351,889	35,193	1,546,358
As at 31 December 2024	310,685	239,757	555,579	23,576	13,977	15,702	351,889	35,193	1,546,358

SAUDI CERAMIC COMPANY

(Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**
(In Saudi Riyals Thousand unless stated otherwise)

As at 31 December 2023	Machinery and equipment				Furniture and fixtures	Motor vehicles	Leasehold improvements	Assets under construction	Tools	Total
	Land	Buildings								
Cost										
Balance, beginning of the year	326,663	1,027,499	2,500,959	104,331	95,112	44,222	93,468	51,787	4,244,041	
Additions	-	518	10,444	1,894	5,986	74	229,954	14,493	263,363	
Transfers during the year	-	17,637	76,606	8,297	-	2,780	(105,320)	-	-	
Reclassification to Asset held for sale	(8,955)	-	-	-	-	-	-	-	(8,955)	
Disposals	(5,333)	(38,562)	(18,742)	(2,051)	(15,092)	(1,644)	-	-	(81,424)	
Balance, end of the year	312,375	1,007,092	2,569,267	112,471	86,006	45,432	218,102	66,280	4,417,025	
Accumulated Depreciation and impairment										
Balance, beginning of the year	-	678,975	1,723,430	86,830	82,745	31,552	-	29,464	2,632,996	
Charges for the year	-	32,269	69,530	6,458	4,428	5,683	-	4,586	122,954	
Disposals	-	(29,948)	(18,715)	(2,028)	(15,092)	(1,644)	-	-	(67,427)	
Impairment loss (Note 5E)	-	9,480	68,508	166	70	-	-	-	78,224	
Impairment loss due to fire (Note 35)	-	30,219	104,605	2,003	-	-	-	-	53	136,880
Balance, ending of the year	-	720,995	1,947,358	93,429	72,151	35,591	-	34,103	2,903,627	
Net book value	As at 31 December 2023	312,375	286,097	621,909	19,042	13,855	9,841	218,102	32,177	1,513,398

A- Building, Machinery and equipment with carrying amount of SAR 379 million (31 December 2023: SAR 908 million) were pledged as security against the loans from Saudi Industrial Development Fund (SIDF), refer Note (16).

B- Assets under construction mainly include the cost incurred on establishing a new porcelain tile factory and improvement projects, raising the efficiency of production lines projects, and civil works

C- Borrowing costs amounting to SAR 9.1 million have been capitalized to assets under construction (December 2023: SAR 8.5 million).

5 - Property, plant and equipment, net (Continued)

D- Allocation of property, plant and equipment, net depreciation for the year ended 31 December as follows:

	Note	2024	2023
Cost of revenue	21	100,767	104,550
Selling and marketing expenses	22	13,514	15,671
General and administrative expenses	23	2,861	2,733
		117,142	122,954

E- Impairment loss for a subsidiary

The recoverable amount of the non-current assets of one of the Group's subsidiaries, Ceramic Pipes Company (CPC) of SAR 88.1 million as at 31 December 2024 has been determined based on value in use considering the management intention to liquidate the business Post 2027, by calculating using cash flow projections from financial budgets prepared by management covering 3-year period from FY25-FY27. The Group classifies this subsidiary as a separate cash generating unit (CGU). The projected cash flows have been updated to reflect the decreased demand for the products. The pre-tax discount rate applied to cash flow projections is 12%. As a result of this analysis, management has recognized an impairment charge of SAR 5.7 million (31 December 2023: SAR 78.2 million) in the current year against non-current assets with a carrying amount of SAR 88.1 million, net of impairment as at 31 December 2024.

Key assumptions are used in value in use calculations and sensitivity to changes in assumptions.

The calculation of value in use for the CGU is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Gross Margins

Negative gross margins (42%) (31 December 2023: 44%) are based on the historical margin of the CGU preceding the beginning of the budget period. The gross margins are kept constant throughout the budget period. Decrease in demand may lead to decline in gross margin which may increase the impairment loss.

Discount Rates

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. Any increase in the discount rates may lead to an increase in impairment.

F- Property, plant and equipment for internal business unit – Red Bricks

The management has identified that based on the performance KPIs for the Red bricks Factory during 2024, there is evidence available from internal management reporting that indicates that the economic performance of the Red Bricks Factory is, or will be, worse than expected in the future due to its decreased demand in the market and changes in trends which are assumed to be irreversible impairment indicators at least in the foreseeable future. The Group classifies this business unit as a separate cash generating unit (CGU). The projected cash flows have been updated to reflect the decreased demand for the products. However, the cash flow projections from financial budgets prepared by management covering the next 5-years period resulted in negative operating income.

Accordingly, the management's expert evaluate the fair value of non-current assets for this business unit. The fair value represents the price to sale assets or CGU in an ordinary transaction between market participants at the measurement date. The recoverable amount of the non-current assets of the Red bricks Factory of SAR 76 million as at 31 December 2024 has been determined based on its fair value less cost of disposal. As a result of this analysis, management has recognized an impairment charge of SAR 45 million in the current year against non-current assets with a carrying amount of SAR 121 million as at 31 December 2024.

6. Right of use assets, net and lease liabilities

A. The movement in right of use assets during the year ended 31 December 2024 is as follows:

	2024	2023
Cost		
Balance, beginning of the year	159,427	144,059
Additions during the year	39,060	15,368
Completion	(70,054)	-
Balance, end of the year	128,433	159,427
Accumulated Depreciation		
Balance, beginning of the year	72,981	56,527
Charge for the year	19,539	16,454
Completion	(70,054)	-
Balance, end of the year	22,466	72,981
Net Book Value	105,967	86,446

B. Allocation depreciation for the two years ended 31 December as follows:

	Note	2024	2023
Cost of revenue	21	2,724	3,102
Selling and marketing expenses	22	16,815	13,255
General and administrative expenses	23	-	97
		19,539	16,454

C. Lease liabilities

	2024	2023
Balance at 1 January	81,343	82,156
Additions to Lease Liabilities	39,060	14,766
Interest expense on lease liabilities (note 24)	6,167	3,665
Lease liabilities paid	(29,342)	(19,244)
Balance at 31 December	97,228	81,343

D. The lease liabilities are classified as at December 31 as following:

	2024	2023
Within 1 year	34,645	15,773
1 year to 5 years	33,677	56,291
More than 5 years	28,906	9,279
Total lease liabilities	97,228	81,343
Non-Current Portion	62,583	65,570
Current Portion	34,645	15,773

E. The right to use the asset is represented in the Group's lease contracts for showrooms, warehouses and factory-related facilities

F. The Group has followed the policy of charging the financing cost to the consolidated statement of profit or loss and other comprehensive income over the lease period using the effective interest rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

7. Investment in associate

The Group holds nil % as of 31 December 2024, (2023: 2.38%) of the share capital of Natural Gas Distribution Company (NGDC) "a Saudi Joint Stock Company" listed in Saudi Exchange Market and registered in Riyadh, Kingdom of Saudi Arabia. The movement during the year in the investment in the associate is as follows:

	2024	2023
Investment as at 1 January	1,283	9,054
Share of net profit of associate	-	205
Disposal of shares	(1,283)	(7,468)
Dividends received	-	(508)
Investment as at 31 December	<u>1,283</u>	<u>1,283</u>

During 2024, the Group sold 117 thousand shares (2023: 0.67 million shares) for a cash consideration of SAR 5.1 million (2023:23.1 million) and achieved gains of SAR 3.8 million (2023:23.1million) which recorded as other income.

8. Financial assets at fair value through OCI ("FVOCI")

The Group has designated its equity investments at initial recognition at FVOCI. The fair valuation resulted in unrealized gain of SAR 61,000 during 2024 (2023: SAR 395,000) which is presented under "other comprehensive income" in consolidated statement of profit or loss and other comprehensive income. The following is investment at fair value through other comprehensive income:

	Ownership %		Fair Value as at 31 December	
	2024	2023	2024	2023
Gulf Real Estate Company	1.23%	1.23%	7,877	7,816

- No dividends were received from this investment during the year ended on 31 December 2024 (2023: Nil).
- The investment is not publicly traded. The fair value is estimated by reference to the market value of its net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

9. Inventories, net

A- The inventories as at 31 December consist of the following:

	2024	2023
Finished goods	410,318	612,431
Raw materials and consumables	226,410	179,899
Spare parts	97,311	99,566
Semi finish goods and work in progress	63,532	74,909
Finished goods purchased for resale	31,563	47,249
	<u>829,134</u>	<u>1,014,054</u>
Less: provision for Inventories – C	(124,554)	(85,831)
Less: impairment loss for Inventories due to fire - (Note 32)	-	(27,964)
	<u>704,580</u>	<u>900,259</u>

B- Inventories written off

Finished goods represent goods manufactured or purchased by the Group and are presented net of inventories written off during the year ended 31 December 2024 amounting to SAR 4.8 million (31 December 2023: SAR 7 million).

During the year the board of directors approved the write off for the damaged Inventories due to prior year fire incident by an amount of SAR 27.96 million against the provision of SAR 27.96 million recorded during 2023.

C- The movement in the provision for Inventories is as follows:

	2024	2023
Balance at the beginning of the year	85,831	29,440
Provision for the year (note 21)	43,548	63,434
Write off during the year	(4,825)	(7,043)
Balance at the ending of the year	<u>124,554</u>	<u>85,831</u>

10. Trade and other receivables

A- The trade and other receivables consist of the following:

	31 December 2024	31 December 2023 Restated – Note 33	1 January 2023 Restated – Note 33
Trade receivables	308,668	337,446	260,576
Less: provision for expected credit losses	(21,483)	(26,145)	(21,818)
Less: provision for customers' incentive (C)	(65,207)	(67,712)	(35,559)
	<u>221,978</u>	<u>243,589</u>	<u>203,199</u>
Advance to suppliers	20,130	24,497	53,857
Prepaid expenses	17,463	13,633	9,702
Employees' receivables	1,525	2,818	1,894
Refundable deposits	383	382	5,988
Others	1,695	1,946	701
	<u>263,174</u>	<u>286,865</u>	<u>275,341</u>

Trade receivables are classified as financial assets at amortized cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

10. Trade and other receivables (Continued)

B- The movement of the provision for expected credit losses is as follows:

	2024	2023
Balance at the beginning of the year	26,145	21,818
(Reversal)/ charge for the year	(4,421)	5,499
Written off during the year	(241)	(1,172)
Balance at the end of the year	21,483	26,145

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Additional information related to credit and market risk exposures is disclosed in Note (30).

C- The movement of the provision for customers' incentive is as follows:

	2024	2023
Balance at the beginning of the year	67,712	35,559
Charge for the year	89,651	101,980
Customers incentives offset during the year	(92,156)	(69,827)
Balance, at the end of the year	65,207	67,712

11. Cash and cash equivalents

	31 December 2024	31 December 2023 Restated – Note 33	1 January 2023 Restated – Note 33
Cash at Bank - Current accounts	34,573	62,538	68,693
Cash at Bank – Time Deposits	7,000	-	-
Cash on hand	723	1,216	897
	42,296	63,754	69,590

- Cash at bank – current accounts is non-interest bearing.

- The average rate on bank deposits during 2024 is 4.65% per annum with an original maturity of three month or less.

12. Assets held for sale

On December 19, 2023, the Board approved to sell land owned by the Group in Misfah area. The Group completed the process of sale a significant part of the held for sale assets during the year with total cost of 8.9 and total proceeds SAR 13.1 million and capital gains SAR 4.3 million. The remaining property is currently not used for the Group's operations and its book value is SAR 72 Thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

13. Share Capital

The Company's share capital at 31 December 2024 amounted to SAR 1,000 million (2023: SAR 800 million), consisting of 1,000 million (2023: 800 million) fully paid and issued shares of SAR 10 each. Holders of these shares are entitled to dividends as declared from time to time and entitled to one vote per share at a general assembly meeting.

	2024	2023
Authorized ordinary shares of SR 10 each (Shares in "000")	100,000	80,000
Fully paid ordinary shares of SR 10 each (Shares in "000")	100,000	80,000
Value of issued ordinary shares each (SAR "000")	1,000,000	800,000

The Extraordinary General Assembly meeting dated 20 Dhu al-Hijjah1445 (Corresponding to 26 June 2024) approved the Company's capital to be increased by granting bonus shares to the Company's shareholders by capitalizing an amount of SAR 200,000,000 (two hundred million Saudi Riyals) from the retained earnings. Therefore, the value of the share capital after the increase is SAR 1,000 million against 100 million shares.

14. Statutory reserve

The statutory reserve included in the consolidated financial statements as of 31 December 2023, was required under the Company's previous by-laws. However, following amendments to the Company's by-laws during the year ended 31 December 2024, the requirement to set aside a statutory reserve has been removed.

The Extraordinary General Assembly meeting dated 20 Dhu al-Hijjah1445 (Corresponding to 26 June 2024) approved that Company's entire statutory reserve amounting to SAR 241,714,802 to be transferred to the Retained Earnings.

15. Treasury shares

At 31 December 2023, the Group had 34,021 shares amounting to SAR 449,000. However, during 2024, the Extraordinary General Assembly approved in its meeting dated 20 Dhu al-Hijjah1445 (Corresponding to 26 June 2024) to purchase up to a maximum of 320,000 shares of the Company for the purpose of allocating them to the Company's employee share scheme.

During the year 2024, the Company purchased 285,979 shares amounting to SAR 8,662,639 at an average price of SAR 30.29 per share.

As at 31 December 2024, the total treasury shares equal to 320,000 shares and have a value of SAR 9,111,610 while during the year, the Group did not make any transfers of treasury shares to its employees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

16. Borrowings

16.1- Long-term borrowings

	31 December 2024	31 December 2023 Restated –Note 33	1 January 2023 Restated –Note 33
Loans from local private banks (B)	156,774	348,048	416,623
Saudi Industrial Development Fund – SIDF loan (C)	114,343	173,215	78,120
Saudi export and import bank (D)	49,877	-	-
Accrued finance cost at the end of the year	8,996	9,342	8,436
Balance at the end of the year	329,990	530,605	503,179

A- The Movement of the present value of borrowing obtained from Long-term borrowings:

	31 December 2024	31 December 2023 Restated – Note 33	1 January 2023 Restated – Note 33
Borrowings at the beginning of the year	521,263	494,743	657,519
Receipts during the year	305,546	236,002	-
Payments during the year	(505,815)	(209,482)	(162,776)
Present value of borrowings at end of the year	320,994	521,263	494,743
Accrued finance cost at the end of the year	8,996	9,342	8,436
Total borrowings	329,990	530,605	503,179

Details of long-term borrowings are presented in the statement of financial position as follows:

Current portion of long-term borrowings	110,950	231,376	220,374
Non-current portion of long-term borrowings	219,040	299,229	282,805

B- The Group obtained long-term Islamic Murabaha and Tawarruq loan facilities from local commercial banks of which utilized amount is SAR 156 million (2023: SAR 348 million) for the purpose of financing the expansion of its plants. The bank facilities are guaranteed by promissory Notes in favor of the banks. The loans charges are determined based on the Murabaha and Tawarruq agreement and the periodic (quarterly) loan repayments will be end on 22 July 2027. These loan bear financial charges based on EIBOR plus margin of 0.9% p.a.

C- The Group obtained loans from the Saudi Industrial Development Fund to finance the expansion of the new factory for porcelain tiles. Loan payments are due in variable installments beginning on Rabi' al-Thani 15, 1447H (corresponding to October 7, 2025), and ending on Shawwal 15, 1454H (corresponding to January 17, 2033). The borrowings of the Group from SIDF, denominated in SAR, are secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. The book value of these assets is SAR 379 million (31 December 2023: SAR 908 million). upfront fees were deducted as the time of receipt of the loan, these fees are amortized over the periods respective loan. The loan bears a follow up fees to be paid on periodic basis.

D- During the year the Group obtained a long-term Islamic Murabaha facility amounted 50 million and profit rate 5.70% per annum (2023: SAR Nil million) for the purpose of financing working capital to cover the exports costs. This borrowings under Islamic banking facilities (Murabaha) are secured by promissory Notes given by the Group and are denominated in SAR. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a non-revolving nature and the repayment will start in September 2025 and ending on February 2026.

E- Borrowing costs amounting to SAR 9.1 million has been capitalized to assets under construction (December 2023: SAR 8.5 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

16. Borrowings (Continued)

16.2- Loan covenants – Long-term borrowings

The above loans and facilities include certain covenants which require the Group to maintain a certain level of financial conditions and certain other requirements. As at 31 December 2024 the Group is in compliance with these covenants. (As at 31 December 2023, Ceramics pipes company (a subsidiary company) did not comply with some of the terms of the loan agreements and accordingly the non-current portion of the loan was reclassified to current liabilities).

16.3. Short-term borrowings

The Group obtained short-term borrowing loans amounting to SAR 405.8 million (2023: SAR 279.9 million) for the purpose of financing working capital with average interest rate equal to Sibor plus 1%. They represented Islamic Murabaha and Tawarruq loans granted to the Group by local commercial banks and the Saudi Industrial Development Fund with maturity of one year. These loans were predominantly of a revolving nature and loans' charges were determined based on the basis of market prices. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory Notes given by the Group and are denominated in SAR.

The following is the movement of the short-term borrowing

	31 December 2024	31 December 2023 Restated – Note 33	1 January 2023 Restated – Note 33
Balance, beginning of the year	278,715	160,551	-
Receipts during the year	667,329	327,625	160,551
Payments during the year	(543,180)	(209,461)	-
Balance, ending of the year	402,864	278,715	160,551
Finance cost for the year	2,991	1,257	674
	405,855	279,972	161,225

Details of short-term borrowings and facilities are presented in the statement of financial position as follows:

	31 December 2024	31 December 2023 Restated – Note 33	1 January 2023 Restated – Note 33
Short-term loans by local commercial banks	402,298	278,715	160,551
Short-term loans by SIDF	566	-	-
Finance cost for the year	2,991	1,257	674
	405,855	279,972	161,225

16.4- Loan covenants - Short-term borrowings

The above facilities include certain covenants which require the Group to maintain a certain level of financial conditions and certain other requirements. As at 31 December 2024, the Group has met the debt covenants compliance requirements except for debt service cover ratio for a short-term loan from a local financial institution amounting to SAR 45 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

17. Employees' post-employment benefits

A- The Group determines the present value of employees' defined benefit plan measurement obligations determined by an actuarial valuation in the projected unit credit method. The significant actuarial assumptions used by an independent external actuary are as follows:

	2024	2023
Discount rate	5.40%	4.55%
Salary increases	4%	3.20%
Employee's turnover	Moderate	Moderate

B- The movement of employees defined benefit plan obligations for the years ended on December 31 as follows:

	2024	2023
Balance at the beginning of the year	87,620	90,868
Charged in Consolidated statement of profit or loss		
Current service cost	9,686	9,554
Interest cost	3,590	3,454
Charged in other comprehensive income		
Actuarial gain / (loss) from re-measurement	435	(2,587)
Paid during the year	(10,523)	(13,669)
Present value at 31 December 2024	90,808	87,620

C- Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employees' post-employment benefit liability by the amount shown below:

	2024	2023
Base liability	90,808	87,620
As at 31 December 2024		As at 31 December 2023
Increase 1%	83,107	80,106
Decrease 1%	93,437	90,769
Discount rate	93,465	91,227
Future salary growth rate	82,996	79,710

18. Trade and other payables

	31 December 2024	31 December 2023 Restated – Note 33	1 January 2023 Restated – Note 33
Trade payables	210,530	223,308	245,808
Refund liability	32,745	31,423	25,407
Accrued expenses	33,683	47,897	57,134
Employees provisions	11,030	11,801	12,341
Retention payable	2,401	2,543	6,047
Others	26,844	24,125	23,251
	317,233	341,097	369,988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

19. Zakat Provision

A- The movement on zakat provision for the year are as follows:

	2024	2023
Balance at the beginning of the year	33,974	30,181
Charge during the years	8,058	21,470
Reverse of provision no longer required	(4,858)	-
Paid during the year	(26,379)	(17,677)
Balance at the end of the year	10,795	33,974

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

Saudi ceramic company

The Company submitted zakat returns to the Zakat, Tax, and Customs Authority for the years up to 2023, and obtained the required certificates for those years. The company completed the Zakat assessment up to 2022. The company didn't receive any zakat assessments for 2023.

During 2024, the Company received final zakat assessments for the years 2021 and 2022 from Zakat, Tax, and Customs Authority (the Authority) with Zakat differences amount of SAR 3.9 million. The management accepted the final assessment result, and it has been paid in 2024.

Ceramics investment Company

The Company submitted zakat returns to the Zakat, Tax, and Customs Authority for all previous years since its establishment until the year ended 31 December 2023, and obtained the required certificates for those years. The company didn't receive any zakat assessment since the operation activities have not been started.

Arzan company

The company submitted zakat returns to the Zakat, Tax, and Customs Authority for all previous years since its establishment until the year ended 31 December 2023, and obtained the required certificates for those years. The company didn't receive any zakat assessment since the operation activities have not been started.

Ceramics pipes company

The company ended its zakat assessment till 2018 and submitted zakat returns to the Zakat, Tax, and Customs Authority for all years from 2019 till 2023 and obtained the required certificates for those years. The company didn't receive any zakat assessments from 2019 onwards until the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

20. Revenues, net

Classification of revenue from contracts with customers

The Group derives revenue from the transfer of goods (at a point in time) in the following major product lines and geographical regions:

31 December 2024					
	Ceramics tiles and sanitary ware	Water heaters	Red Brick	Ceramic pipes	Total
Primary geographical markets					
Local	864,819	347,085	12,278	19,221	1,243,403
Export	22,651	82,743	-	-	105,394
	887,470	429,828	12,278	19,221	1,348,797
Timing of revenue recognition					
At point in time	887,470	429,828	12,278	19,221	1,348,797
31 December 2023					
	Ceramics tiles and sanitary ware	Water heaters	Red Brick	Ceramic pipes	Total
Primary geographical markets					
Local	809,856	345,103	15,457	16,906	1,187,322
Export	41,434	86,112	-	-	127,546
	851,290	431,215	15,457	16,906	1,314,868
Timing of revenue recognition					
At point in time	851,290	431,215	15,457	16,906	1,314,868

20.2 Contract balances

The following table provides information about contract liabilities from contracts with customers including provision for customers' incentives against the volume of sales as of 31 December:

	2024	2023
Receivables, which are included in trade and other receivables – Note 10	308,668	337,446
Contract balances which are included in statement of financial position		
Provision for customers' incentives - Note 10	65,207	67,712
Refund liability- Note 18	32,745	31,423

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

21. Cost of revenues

Cost of revenues for the year ended 31 December comprises the following:

	2024	2023
Raw materials consumed	635,214	573,660
Salaries, wages and other employee costs	174,790	183,095
Depreciation on property, plant and equipment (Note 5)	100,767	104,550
Energy cost	80,350	92,100
Provision for inventories, net (Note 9)	43,548	63,434
Repairs and maintenance	32,384	40,250
Rent	5,141	414
Depreciation on right-of-use assets (Note 6)	2,724	3,102
Others	20,135	16,940
	1,095,053	1,077,545

22. Selling and marketing expenses

Selling and marketing expenses for the year ended 31 December comprises the following:

	2024	2023
Salaries, wages and other employee costs	94,219	85,974
Fuel, Freight and transportation charges	69,203	50,843
Depreciation on right-of-use assets (Note 6)	16,815	13,255
Depreciation on property, plant and equipment (Note 5)	13,514	15,671
Advertising and promotion	9,513	8,009
Fuel, repairs and maintenance	6,454	6,919
Communication, License & Professional Fee	5,491	3,080
Rent	4,054	766
Others	8,704	13,348
	227,967	197,865

23. General and administrative expenses

General and administrative expenses for the year ended 31 December comprise the following:

	2024	2023
Salaries, wages and other employee costs	46,892	46,945
Communication, License & Professional Fee*	4,701	3,512
Provision for directors' remuneration	3,440	3,086
Depreciation of property, plant and equipment (Note 5)	2,861	2,733
Repairs and maintenance	1,485	1,035
Depreciation on right-of-use assets (Note 6)	-	97
Others	5,290	4,027
	64,669	61,435

*The professional fees for auditing the annual financial statements and reviewing the interim financial statements for the Group amounted to SAR 625,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

24. Finance cost

Financial costs for the year ended 31 December comprises the following:

	2024	2023
Interest expense on financial liabilities measured at amortized cost	39,996	39,302
Interest in expense on lease liabilities (6-c)	6,167	3,665
Total Finance Cost	46,163	42,967
 Loan Type	 Short-term and long-term borrowings as at December 31	 Interest expense for the year ended December 31
	2024	2023
Murabaha & Tawarruq	562,063	623,068
Banks and government authorities	173,782	187,509
Total	735,845	810,577
	2024	2023
Training support program	15,280	10,098
Gain from sale of property, plant and equipment	8,034	36,801
Reversal of zakat provision	4,858	-
Gain from sale of assets held for sale	4,292	-
Scrap sales	11,612	11,941
Gains on disposal of investment in associates	3,807	23,137
Rental income (A)	1,895	3,601
Others	7,838	11,679
	57,616	97,257

25. Other income

Other income for the year ended 31 December comprises the following:

	2024	2023
Training support program	15,280	10,098
Gain from sale of property, plant and equipment	8,034	36,801
Reversal of zakat provision	4,858	-
Gain from sale of assets held for sale	4,292	-
Scrap sales	11,612	11,941
Gains on disposal of investment in associates	3,807	23,137
Rental income (A)	1,895	3,601
Others	7,838	11,679
	57,616	97,257

Rental income relates to a portion of the building and a warehouse rented on a temporary basis, these contracts are classified as operating leases and are deemed inseparable.

26. Operating Segments

The Group's principal business activities involve manufacturing and trading of different types of ceramic and porcelain products and water heaters. The Group has the following three strategic divisions, which are its reportable segments. The Group's Chief Executive Officer reviews the internal management reports of each segment in monthly basis.

The following summary describes the operations of each reportable segment

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

Other operations include the red bricks manufacturing and distribution, plastic, packaging, head office and desert mines (branch). None of these segments meets any of the quantitative thresholds for determining reportable segments in 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

26-1 Information about reportable segments

Information related to each reportable segment is set out below. Segment profit / (loss) before zakat is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	Ceramic tiles and sanitary ware	Water heaters	Ceramic Pipes Company	Total
As at 31 December 2024				
Revenue from local customers	877,097	347,085	19,221	1,243,403
Revenue from export customers	22,651	82,743	-	105,394
Total Segment revenue	899,748	429,828	19,221	1,348,797
Impairment loss	(45,357)	-	(5,713)	(51,070)
Segment profit/ (loss) before zakat	(83,872)	45,849	(33,171)	(71,194)
As at 31 December 2024				
Segment assets	1,699,087	856,538	120,984	2,676,609
Segment liabilities	832,364	397,602	21,943	1,251,909

	Ceramic tiles and sanitary ware	Water heaters	Ceramic Pipes Company	Total
As at 31 December 2023				
Revenue from local customers	825,313	345,103	16,906	1,187,322
Revenue from export customers	41,434	86,112	-	127,546
Total Segment revenue	866,747	431,215	16,906	1,314,868
PP&E Impairment loss	(136,880)	-	(78,224)	(215,104)
Segment profit/(loss) before zakat	(167,148)	53,962	(102,863)	(216,049)
As at 31 December 2023				
Segment assets	2,474,909	293,620	100,247	2,868,776
Segment liabilities	1,063,018	175,759	115,834	1,354,611

The Group's revenue is derived from contracts with customers for sale of consumer products. Control of products is transferred at a point in time and directly sold to customers.

26. Operating Segments (Continued)

26-1 Information about reportable segments (Continued)

The geographic information analyses the Group's revenue and non-current assets by the Company's country of incorporation and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets. The five largest customers accounts are approximately 39% of the revenue at 31 December 2024 (31 December 2023: 37%).

Segment assets are measured in the same way as in the Consolidated Financial Statements. These assets are allocated and analyzed based on the operations of the segment.

26-2 The revenue from business segments categorized by geographical region is as follows:

<u>As at 31 December 2024</u>	<u>2024</u>	<u>2023</u>
Saudi Arabia	<u>1,243,403</u>	1,187,322
Other GCC Countries	<u>81,742</u>	84,279
Other Countries	<u>23,652</u>	43,267
Total	<u>1,348,797</u>	1,314,868

26-3 The geographical distribution of the Group's property, plant and equipment is as follows:

<u>As at 31 December 2024</u>	<u>2024</u>	<u>2023</u>
Saudi Arabia	<u>1,546,358</u>	1,513,398
Total	<u>1,546,358</u>	1,513,398

27. Related party transactions and balances

Related parties represent major shareholders, members of the Board of Directors of the Company, key management personnel of the Company, and entities managed, or a significant influence is exercised over them by these parties. The transactions with subsidiaries mainly comprise financing and payments made on behalf of subsidiaries and those transactions are eliminated in the consolidated financial statements.

27-1 Board of Directors and Key Personnel Management

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

The following table illustrates details of remuneration and compensations paid to Directors and Key Management Personnel:

27. Related party transactions and balances (Continued)

27-1 Board of Directors and Key Personnel Management

The remuneration of the board of directors and other key management personnel charged during the year are as follows:

	<u>31 December 2024</u>			<u>31 December 2023</u>		
	<u>Board Members</u>	<u>Executive Management</u>	<u>Total</u>	<u>Board Members</u>	<u>Executive Management</u>	<u>Total</u>
Salaries and short-term benefits	-	<u>5,343</u>	<u>5,343</u>	-	7,368	7,368
Remuneration and allowances	<u>3,568</u>	<u>2,191</u>	<u>5,759</u>	3,254	4,521	7,775
Total	<u>3,568</u>	<u>7,534</u>	<u>11,102</u>	3,254	11,889	15,143

27-2 Other related party transactions

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2024 and 2023 along with their balances:

	<u>Relation</u>	<u>Transactions for the year ended 31 December</u>		<u>Balances as at 31 December</u>		
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	
Nature of Transaction						
Purchase of goods and services from:						
Natural Gas Distribution Company	Affiliate	<u>45,487</u>	39,457	<u>3,988</u>	5,591	
CHUBB Arabia Cooperative Insurance	Affiliate	<u>144</u>	1,078	-	537	
		<u>45,631</u>	40,535	<u>3,988</u>	6,128	
Dividends received from:						
Natural Gas Distribution Company	Affiliate	-	508	-	-	

These balances are included in trade and other payables in statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

28. Loss per share

28-1 Basic earnings per share

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

	For the year ended December 31	
	2024	2023
Loss for the year attributable to the shareholders (SAR "000")	(71,859)	(210,351)
Weighted average number of shares (Shares in "000") – restated	90,120	90,120
Basic and diluted earnings per share (SR)	(0.80)	(2.33)

Weighted average number of shares are adjusted to take account of Treasury Shares for the current and prior year and bonus shares issued during the year (Note 15).

28-2 Diluted earnings per share

The calculation of diluted earnings per ordinary share is based on net profit attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding after adjustment for the effect of all potential dilutive ordinary shares. There were no potentially dilutive shares outstanding at any time during the year ending 31 December 2024, and 31 December 2023 respectively.

29. Contingent liabilities and outstanding issues

- A- The Group has obtained bank facilities in the form of letters of guarantee and letters of credit from local banks amounting to SAR 111 million as at 31 December 2024 (31 December 2023: SAR 95 million). The letters of credit include an amount of SAR 7 million (31 December 2023: SAR 58 million) relating to capital commitments for the supply of machinery and equipment for the plant expansion projects.
- B- During 2023, the Group had guaranteed a portion of the SIDF loan to Ceramics Pipes Company - CPC (the subsidiary) equivalent to its portion in the share capital of that Company as at 31 December 2023 for the amount of SAR 17.3 million (31 December 2022: SAR 29 million). Additionally, the Group guaranteed portion of the Saudi Investment Bank loan to the CPC for the amount of SAR 3.7 million (31 December 2022: SAR 9.3 million). During 2024, CPC settled these loans and received clearance from SIDF and Saudi Investment Bank.

Notes to consolidated financial statements (continued)
For the year ended December 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

30. Financial instruments, risk management and fair value

30-1 Accounting classification and fair values measurement

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
	Fair value – hedging instruments	Financial assets at FVOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets at FVOCI	-	7,877	-	7,877	-	-	-	7,877
Trade and other receivables	-	-	263,174	263,174	-	-	-	-
Cash and cash equivalents excluding cash on hand	-	-	41,573	41,573	-	-	-	-
	-	7,877	304,747	312,624	-	-	-	7,877
Financial liabilities								
Short-term loans	-	-	405,855	405,855	-	-	-	-
Long-term loans	-	-	329,990	329,990	-	-	-	-
Trade payables	-	-	210,530	210,530	-	-	-	-
	-	-	946,375	946,375	-	-	-	-

Notes to consolidated financial statements (continued)
For the year ended December 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

Notes to consolidated financial statements (continued)
For the year ended December 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

30. Financial instruments, risk management and fair value (continued)
30-1 Accounting classification and fair values measurement (continued)

31 December 2023	Carrying amount			Fair value				
	Fair value – hedging instruments	Financial assets at FVOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets at FVOCI	-	7,816	-	7,816	-	-	7,816	7,816
Trade and other receivables			286,865	286,865	-	-	-	-
Cash and cash equivalents excluding cash on hand	-	-	62,538	62,538	-	-	-	-
	-	7,816	349,403	357,219	-	-	7,816	7,816
Financial liabilities								
Short-term loans	-	-	279,972	279,972	-	-	-	-
Long-term loans	-	-	530,606	530,606	-	-	-	-
Trade payables	-	-	223,308	223,308	-	-	-	-
	-	-	1,033,886	1,033,886	-	-	-	-

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

	As of December 31,	
	2024	2023
Balance at 1 January	7,816	7,421
Gain included in OCI	61	395
Net change in fair value (unrealized)		
Balance at 31 December	7,877	7,816

Notes to consolidated financial statements (continued)
For the year ended December 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

30. Financial instruments, risk management and fair value (continued)

30-2 Risk Management

The Company's overall risk management program focuses on the unpredictable fluctuations in financial markets and aims to minimize potential negative impacts on the Group's financial performance.

Financial risk management framework

Risk management policy is carried out by the senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The teamwork conducts meetings on a regular basis, and any changes or matters related to compliance with policies are reported to the Board of Directors through the Audit Committee.

The risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. Through training, management standards and procedures, the Group aims to develop a responsible and constructive control environment so that all employees are aware of their roles and responsibilities.

The Audit Committee oversees the management's compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Financial instruments included in the statement of financial position include cash and cash equivalents, trade and other receivables, financial assets, trade and other payables. The recognition methods used are disclosed in the individual policy statement for each item.

30- Financial instruments, risk management and fair value (continued)

30-2 Risk Management (continued)

The Group is exposed to the following risks as a result of its use of financial instruments:

- a) Credit risks
- b) Liquidity risk
- c) Market risk

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk, market price risk and capital management risk.

a) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations and arises principally from the Group's trade receivables and cash and cash equivalents. The carrying amount of financial asset represents the maximum credit exposure. At 31 December, the gross exposure to credit risk for trade receivables by geographic region was as follows:

	2024	2023
Saudi Arabia	266,162	292,456
Other GCC countries	42,153	40,098
Other countries	353	4,892
Total	308,668	337,446

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been Grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. These adjusted loss rates in the current year are similar to the effective loss rates observed in the prior year. The Group has identified the GDP, unemployment rate, inflation rate and interest rate of the countries in which it sells its goods and services to be the most relevant factors and accordingly adjusted the historical loss rates based on expected changes in these factors.

Trade receivables outstanding balance comprises 86.2% (2023: 86.5%) in KSA, 13.6 % (2023: 12.1%) in GCC (other than KSA) and 0.20% (2023: 1.4%) in other Countries. The five largest customers account approximately for 47% of outstanding trade receivables at 31 December 2024 (2023: 40%).

The Group manages credit risk with respect to receivables from customers by monitoring them in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The Group limits its exposure to credit risk from trade receivables by obtaining letters of guarantee or letters of credit based on the credit history of the customer.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision is determined as follows; the expected credit losses below also incorporate forward-looking information.

30- Financial instruments, risk management and fair value (continued)

30-2- Risk management (continued)

a) Credit risk management (Continued)

	31 December 2024	31 December 2023	
	Expected loss rate	Gross Carrying amount	Loss allowance provision
Current			
0 - 30 Days past due	0.09%	92,661	87
31 - 60 Days past due	0.08%	54,223	45
61 - 90 Days past due	0.12%	48,929	58
91 - 120 Days past due	0.29%	46,573	137
121 - 270 Days past due	1.54%	33,227	512
270+ Days past due	62.45%	33,055	20,644
		308,668	21,483
Current			
0 - 30 Days past due	0.05%	269,497	134
31 - 60 Days past due	0.45%	17,328	78
61 - 90 Days past due	0.86%	5,680	49
91 - 120 Days past due	7.39%	717	53
121 - 270 Days past due	5.17%	832	43
270+ Days past due	6.82%	2,272	155
		41,120	25,633
		337,446	26,145

During the year, the Group made SAR 241,000 (2023: SAR 1 million) write-off from trade receivables, as it does not expect to receive future cash flows from them and no recoveries from collection of cash flows previously written off.

Cash and cash equivalents

The Group held cash and cash equivalents of SAR 42.3 million at 31 December 2024 (31 December 2023: SAR 63.7 million). The cash and cash equivalents are held with banks with high credit ratings, ranging from BBB+ and above therefore, the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

30- Financial instruments, risk management and fair value (continued)

30-2 Financial risk management (continued)

b) Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest till maturity.

	Carrying amount	On demand or less than 1 year		More than 5 years	
		Up to 5 years	years		
31 December 2024					
Liabilities					
Loans and Borrowings	735,845	516,805	219,040	-	
Trade and other payables	317,233	317,233	-	-	
	1,053,078	834,038	219,040	-	
31 December 2023					
Liabilities					
Loans and Borrowings	810,578	511,348	299,229	-	
Trade and other payables	341,097	341,097	-	-	
	1,151,675	852,445	299,229	-	

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base to support its business and to sustain the future development of the Group. Management monitors the capital structure and make adjustments to it in light of economic conditions. The Group is not subject to any externally imposed capital requirements. The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total equity. Debt is calculated as total borrowings (non-current and current loans as shown in the statement of financial position) less cash and cash equivalents.

30- Financial instruments, risk management and fair value (continued)

30-2 Financial risk management (continued)

Market risk management

Market risk is the risk of the potential impact of changes in market prices, such as foreign exchange rates and commission rates. The objective of market risk management is to manage and control market risk exposure within acceptable limits while achieving the highest possible return.

A- Foreign exchange rate risk: Foreign exchange rate risk results from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Group did not carry out any operations of relative importance in currencies except for the Saudi Riyal, the US Dollar and the Euro. Since the Saudi Riyal exchange rate is fixed against the US dollar and does not represent significant currency risk, the Group's management monitors currency exchange rates and believes that currency risk is not effective.

B- Commission rate risk: Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group is subject to the risk of fluctuating commission charges at prevailing market rates on its bank loans and facilities that carry variable commission rates and amounts to SAR 559 million at 31 December 2024 (31 December 2023: SAR 627million). The Group's policy is to manage its finance cost using a mix of fixed and variable commission rate borrowings and the Group is working on minimizing the risks on commission rates through monitoring the expected fluctuations in the commission rates.

The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no direct impact on the Group's equity.

	Increase/ decrease in basis points of commission rates	Effect on income for the year
31 December 2024	+100	(5,590)
	-100	5,590
31 December 2023	+100	(6,270)
	-100	6,270

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

31- Non-controlling interest

The following table summarizes the information relating to non-controlling interests in CPC, before any intra-Group eliminations.

	2024	2023
NCI percentage	22.11%	26.11%
Non-current assets	88,187	100,246
Current assets	21,770	44,859
Non-current liabilities	(98,346)	(2,337)
Current liabilities	(15,597)	(113,400)
Net assets	(3,986)	29,368
Net assets attributable to NCI	(881)	7,668
NC- Share in CPC land fair value	1,988	1,988
Total NCI share in CPC	1,107	9,656
Revenue	19,221	16,906
Loss	(33,436)	(103,515)
Share of loss of CPC allocated to NCI	(7,393)	(27,168)

With effect from 4 July 2024, the shareholding of the Group in CPC has increased to 77.89%. Refer Note 1.

32- Significant events.

On July 15, 2023, a fire occurred in the sanitary ware department in the Group's second factory, which led to damage to machinery and equipment at book value amounted to SAR 136.8 million. (Note 5), The fire also led to damage to Inventories which cost amounted to SAR 27.9 million (Note 9) on the date of the fire and was included in the costs. The factory has insurance coverage for loss resulting from such accidents as well as compensation for loss resulting from business interruption. The Group submitted the claim to the insurance Company and submitted all the required documents to the insurance Company in order to demand compensation from the insurance Company for the damages that resulted from the fire. Evaluation of the claim by the insurance Company is still in effect as of the date of these financial statements. The management believes that insurance coverage is sufficient to cover the losses resulting from the fire.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

33- Restatement and reclassification of comparative information

The Company restated certain amounts and balances included in the prior period financial statements. Accordingly, the opening balances of the year ended December 31, 2023 have been restated as per the revised presentation, as shown below:

33-A. Impact on the statement of financial position

Statement of financial position	31 December 2023		1 January 2023			
	As previously reported	Adjustment	As currently reported	As previously reported	Adjustment	As currently reported
A. Trade and other receivables						
B. Cash and cash equivalents	349,667	62,802	286,865	311,184	35,843	275,341
C. Short term borrowings	64,677	923	63,754	70,693	1,103	69,590
D. Long-term borrowings,	278,715	1,257	279,972	160,551	674	161,225
E. Trade and other payables	222,034	9,342	231,376	211,938	8,436	220,374
	415,421	(74,325)	341,096	416,044	(46,056)	369,989

33-B. Impact on the statement of cashflows for the year ended 31 December 2023

Statement of Cash flows	31 December 2023		
	As previously reported	Adjustment	As currently reported
A. Provision for customer's incentive			
B. Trade and other receivables	-	32,153	32,153
C. Finance cost payment	(43,982)	(5,194)	(49,176)
D. Cash and cash equivalents	(47,833)	2,737	(45,096)
E. Trade and other payables	64,677	(923)	63,754
	624	(29,515)	(28,891)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Saudi Riyals Thousand unless otherwise stated)

33- Restatement and reclassification of comparative information (continued)

A. Trade and other receivables

This includes:

- i. Restatement of provision for customers' incentive from trade and other payables to trade and other receivables.
- ii. Restatement of foreign exchange gain/loss from trade and other payables to trade and other receivables
- iii. Reclassification of advances from customers from trade and other payables to trade and other receivables

B. Cash and cash equivalents

This includes Restatement of foreign exchange gain/loss from trade and other payables to Cash and cash equivalents

C. Short term borrowings

This includes reclassification of accrued finance costs from trade and other payables to Short term borrowings

D. Long-term borrowings, current portion

This includes reclassification of accrued finance costs from trade and other payables to Long term borrowings

E. Trade and other payables

This includes the restatement and reclassification impacts from A, B, C and D above.

These restatements and reclassifications have no impact on the Consolidated statement of profit or loss and other comprehensive income, and the consolidated statements of changes in equity for the years ended 31 December 2023 and 31 December 2022 and net loss attributable to the shareholders or the basic and diluted loss per share for the year then ended.

34- Subsequent events

There have been no significant subsequent events since the year end that would require additional disclosures or adjustments in these consolidated financial statements.

35- Approval of Consolidated financial statements

These Consolidated Financial Statements were approved by the Board of Directors on 25 Shaban 1446 A.H.
(corresponding to 24 February 2025).



THANK
YOU