الشركة السعودية لإنتاج الأنابيب الفخارية
SAUDI VITRIFIED CLAY PIPE CO.

Shareholders Circular

Saudi Vitrified Clay Pipe Company

Reduction of the Company's capital by one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals, which will result in a decrease in the number of shares from fifteen million (15,000,000) ordinary shares to four million five hundred forty-two thousand eight hundred seventy-five (4,542,875) ordinary shares.

Extraordinary General Assembly **//1448H (corresponding to **/**/2026G)**

Financial Advisor

wasatah capital
وساطة كابيتال

الشركة السعودية لإنتاج الأنابيب الفخارية

SAUDI VITRIFIED CLAY PIPE CO.

Important Notice

This Circular has been prepared by the Company in accordance with Article (61) of the Rules on the Offer of Securities and Continuing Obligations, in order to provide the Company's shareholders with the information necessary to enable them to vote on the proposed Capital Reduction at the Extraordinary General Assembly Meeting on an informed basis. Shareholders must read the Circular carefully and in full before making their voting decision.

The financial information and figures included in this Circular have been rounded. In the event that the figures contained in the tables are aggregated, minor differences may appear between the figures stated in this Circular and those stated in the Financial Statements due to rounding.

This Circular contains certain projections and forward-looking statements. Such projections and forward-looking statements may be identified through the use of forward-looking terms and expressions, including, without limitation, "expects", "aims", "estimates", "intends", "plans", "will", "believes", "seeks", "may", "will be", "can", or "should", or the negative forms of these terms or other terms that are comparable or similar in meaning. The forward-looking statements contained in this Circular include, without limitation, the effects of the Capital Reduction, the expected dates thereof, and other matters. These statements are subject to change as a result of a number of factors that cannot be accurately estimated, such as future market conditions and the conduct of other market participants. Therefore, recipients of this Circular should read these projections and statements in light of the foregoing and should not rely on them.

Table of Contents

1. Company Information, Financial Advisor and Auditor

Company Address

Saudi Vitrified Clay Pipe Company

Riyadh, Salah Al-Din Al-Ayyubi Road, Al-Zahra District
P.O. Box 2305, Postal Code 12812
Kingdom of Saudi Arabia
Tel: +966 11 4769192
Fax: +966 11 4782458
Email: svcp@svcp-sa.com
Website: www.svcp-sa.com

Financial Advisor

Al Wasatah Al Maliah Company (Wasatah Capital)

Riyadh - Olaya Main Street, Building No. 7459
Additional No. 2207, Al-Muruj District, Zip Code 12283
P.O. Box 50315, Riyadh 11523
Kingdom of Saudi Arabia
Tel: +966 11 4944067
Fax: +966 11 4944205
Email: info@wasatah.com.sa
Website: www.wasatah.com.sa

Auditor of the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G and preparer of the Limited Assurance Report on the Capital Reduction based on the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G

Yasser Zoman Al Zoman, Khalid Fawzan Al Fahad and Zaher Abdullah Al Hajjaj Company for Professional Consulting

Anas Ibn Malik Rd
Al Yasmin District. - Alsamil Commercial Building
2nd Floor, Office No. 1.
P.O. Box 13326
Riyadh
Tel: 920018802
E-mail: info@ay-cpa.sa
Website: www.ay-cpa.sa

Note: The advisors and the preparer of the Limited Assurance Report on the Proposed Capital Reduction, whose names appear above, have provided their written consent to the references to their names and logos and to the inclusion of their statements or reports (as applicable) in the form and substance set out in this Circular. None of them has withdrawn such consent as of the date of this Circular.

2. Terms and Definitions

Term	Definition
The Company or The Issuer	Saudi Vitrified Clay Pipe Company
Extraordinary General Assembly	Extraordinary General Assembly of the Shareholders of the Company
Capital Market Authority or Authority	Capital Market Authority in the Kingdom of Saudi Arabia.
Saudi Exchange Company	Saudi Exchange Company (formerly the Saudi Stock Exchange Company), one of the subsidiaries of Saudi Tadawul Group, established pursuant to the Council of Ministers' Resolution dated 29/02/1428H (corresponding to 19/03/2007G) in implementation of the Capital Market Law. It is a Saudi closed joint stock company and the only entity authorized to act as a securities exchange in the Kingdom of Saudi Arabia, listing and trading securities.
Edaa	Securities Depository Center Company (Edaa)
Ministry of Commerce	Ministry of Commerce in the Kingdom of Saudi Arabia
Companies Law	Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G) and any amendments thereto
Saudi Stock Exchange, the Market, or Tadawul	Saudi Stock Exchange (for trading shares in the Kingdom of Saudi Arabia)
Rules on the Offer of Securities and Continuing Obligations	Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) pursuant to the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended by the Board of the Authority's Resolution No. (3-6-2026) dated 30/07/1447H (corresponding to 19/01/2026G) and any amendments thereto
Listing Rules	Listing Rules issued by the Saudi Exchange (Tadawul) and approved by the Board of the Capital Market Authority's Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) and as amended by its Resolution No. (1-46-2026) dated 13/10/1447H (corresponding to 01/04/2026G) and any amendments thereto
Capital Reduction	Reduction of the Company's capital from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, representing a reduction percentage of (69,714167%) meaning that the number of shares will be reduced by (1) share for every (1.43) shares.
Circular / Shareholder Circular	This circular prepared by the company and addressed to its shareholders regarding the reduction of the company's capital
Auditor Report Relating to Capital Reduction	Limited Assurance Report on the Proposed Capital Reduction of the Company based on the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G, which sets out the reasons for the Capital Reduction and the impact of such reduction on the Company's liabilities and shareholders' equity.
Shareholders	Holders of the company's shares
Eligible Shareholders	Shareholders owning shares at the end of trading on the day of the Extraordinary General Assembly meeting convened for the capital reduction, and who are registered in the company's shareholders register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly meeting convened for the capital reduction, dated **/**/1448H (corresponding to **/**/2026G)
Electronic Voting	A free electronic service for companies listed on the Saudi Exchange, allowing shareholders the opportunity to exercise their voting rights on the items of the general assemblies' agendas without attending in person through the Tadawulaty platform affiliated with the Securities Depository Center Company.

3. The purpose of this circular

This Circular has been prepared by the Company in accordance with Article (61) of the Rules on the Offer of Securities and Continuing Obligations, in order to provide the Company's shareholders with the information necessary to enable them to vote on the proposed Capital Reduction at the Extraordinary General Assembly Meeting on an informed basis. Shareholders must read the Circular carefully and in full before making their voting decision.

4. Company Overview

Saudi Vitrified Clay Pipe Company was established as a limited liability company pursuant to the Articles of Association issued on 29/12/1397H (corresponding to 10/12/1977G), and under Commercial Registration No. (1010014993) dated 08/03/1398H (corresponding to 16/02/1978G), with a capital of twenty million (20,000,000) Saudi Riyals. Saudi Vitrified Clay Pipe Company was converted into a joint stock company pursuant to Ministerial Resolution No. (3489) dated 02/11/1427H (corresponding to 23/11/2006G), with a capital of one hundred fifty million (150,000,000) Saudi Riyals, divided into fifteen million (15,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share. On 09/05/1428H (corresponding to 26/05/2007G), the Company's shares were listed on the Saudi Exchange, comprising fifteen million (15,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share and a capital of one hundred fifty million (150,000,000) Saudi Riyals.

The Company's head office is located in Al Akaria "Al Sittin" Building – Salah Al-Din Al-Ayyubi Road, Al-Zahra District, Riyadh -Kingdom of Saudi Arabia. The Company's current capital amounts to one hundred fifty million (150,000,000) Saudi Riyals, divided into fifteen million (15,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share.

The principal activity of Saudi Vitrified Clay Pipe Company is the manufacture of pipes and fittings used in water drainage and sewerage networks through three specialized industrial segments that meet the needs of the local and international markets in accordance with the highest quality standards. These segments comprise the vitrified clay pipes segment, the concrete pipes segment, and the plastic pipes segment.

The Company's activities, according to its Commercial Registration, comprise quarrying operations and the manufacture of pipes.

The Company's activities, according to its Bylaws, are as follows:

- Quarrying for the extraction of stone, sand and clay.
- Other mining and quarrying activities not elsewhere classified.
- Manufacture of glass and glass products.
- Manufacture of structural clay products.
- Manufacture of articles of concrete, cement and plaster.
- Manufacture of other non-metallic mineral products not elsewhere
- Manufacture of structural metal products.
- Sewerage.
- Construction of utility projects.
- Wholesale of other machinery and equipment
- Retail sale of other products in non-specialized stores
- Retail sale of other new products in specialized stores
- Transportation by pipelines

The Company carries out its activities in accordance with the applicable laws and after obtaining the necessary licenses from the competent authorities, where applicable.

4-1 Contact Information

Contact Officer: Fayez Al-Shaer
Tel: +966 11 4769192
Fax: +966 11 4782458
Email: svcp@svcp-sa.com
Website: www.svcp-sa.com

4-2 Key Developments in the Company's Capital

The Company's current capital amounts to one hundred fifty million (150,000,000) Saudi Riyals, divided into fifteen million (15,000,000) ordinary shares with a fully paid nominal value of ten (10) Saudi Riyals per share. The following sets out the development of the Company's capital since its incorporation:

Date	Event
29/12/1397H (corresponding to 10/12/1977G)	Saudi Vitrified Clay Pipe Company was established as a limited liability company with a capital of twenty million (20,000,000) Saudi Riyals, divided into two thousand (2,000) equal-value shares, each with a value of ten thousand (10,000) Saudi Riyals. The Company's Articles of Association were recorded before the Notary Public under No. (565), folio (105), and its Commercial Registration No. (1010014993) was issued in Riyadh on 08/03/1398H (corresponding to 16/02/1978G).
15/01/1402H (corresponding to 04/11/1981G)	The Company's capital was increased from twenty million (20,000,000) Saudi Riyals to twenty-four million (24,000,000) Saudi Riyals. The total number of shares amounted to two thousand (2,000) shares with a nominal value of twelve thousand (12,000) Saudi Riyals per share, with the shares being redistributed among the partners.
01/08/1402H (corresponding to 24/05/1982G)	The Company's capital was increased from twenty-four million (24,000,000) Saudi Riyals to thirty-six million (36,000,000) Saudi Riyals. The total number of shares amounted to three hundred sixty thousand (360,000) shares with a nominal value of one hundred (100) Saudi Riyals per share, with the shares being redistributed among the partners.
28/05/1408H (corresponding to 18/01/1988G)	Pursuant to Ministerial Resolution No. (229), the ownership of the heirs' shares was transferred and the names of the partners in the Company were amended.
25/04/1412H (corresponding to 01/11/1991G)	The Company's capital was reduced from thirty-six million (36,000,000) Saudi Riyals to thirty million (30,000,000) Saudi Riyals. The total number of shares amounted to three hundred thousand (300,000) shares with a nominal value of one hundred (100) Saudi Riyals per share.
28/05/1415H (corresponding to 31/10/1994G)	Pursuant to an amendment to the Articles of Association, the names of certain partners were amended, and the Company's capital was increased from thirty million (30,000,000) Saudi Riyals to forty million (40,000,000) Saudi Riyals. The total number of shares amounted to four hundred thousand (400,000) shares with a nominal value of one hundred (100) Saudi Riyals per share.
06/10/1427H (corresponding to 11/12/2006G)	Pursuant to Ministerial Resolution No. (2711), the partners approved the conversion of the Company from a limited liability company into a closed joint stock company with a capital of one hundred fifty million (150,000,000) Saudi Riyals, of which ninety million (90,000,000) Saudi Riyals was funded from the total partners' equity in the Company, and sixty million (60,000,000) Saudi Riyals was to be paid in cash to increase the Company's capital in proportion to each partner's ownership percentage. Accordingly, the total number of shares became fifteen million (15,000,000) shares with an aggregate nominal value of one hundred fifty million (150,000,000) Saudi Riyals.
09/05/1428H (corresponding to 26/05/2007G)	The Company's shares were listed on the Saudi Stock Exchange (Tadawul), comprising fifteen million (15,000,000) ordinary shares with a capital of one hundred fifty million (150,000,000) Saudi Riyals.
03/05/1446H (corresponding to 05/11/2024G)	The Extraordinary General Assembly approved the transfer of the statutory reserve balance amounting to seventy-five million (75,000,000) Saudi Riyals to offset part of the accumulated losses.
07/02/1448H (corresponding to 21/07/2026G)	The Company announced that its Board of Directors had recommended to the Extraordinary General Assembly that the Company's capital be reduced from one hundred fifty million (150,000,000) Saudi Riyals to sixty-four million seven hundred fifteen thousand seven hundred (64,715,700) Saudi Riyals through the cancellation of eight million five hundred twenty-eight thousand four hundred thirty (8,528,430) ordinary shares, representing a reduction percentage of 56.856%, in order to offset an amount of eighty-five million two hundred eighty-four thousand three hundred (85,284,300) Saudi Riyals of the Company's accumulated losses. At the same meeting, the Company's Board of Directors also recommended to the Extraordinary General Assembly that, following completion of the Capital Reduction, the Company's capital be increased through a rights issue with a value of ninety million (90,000,000) Saudi Riyals.
03/03/1448H (corresponding to 16/08/2026G)	The Company announced that its Board of Directors had issued a resolution dated 30/02/1448H (corresponding to 13/08/2026G) amending its recommendation to the Extraordinary General Assembly regarding the reduction of the Company's capital and the subsequent increase of the Company's capital through a rights issue. In view of the increase in the total accumulated losses as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G, the Company announced that its Board of Directors had amended its recommendation to the Extraordinary General Assembly such that the Company's capital would be reduced from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, representing a reduction percentage of 69.714167%, in order to offset one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals of the accumulated losses.

Date	Event
25/03/1448H (corresponding to 07/09/2026G)	The Capital Market Authority approved the Company's request to reduce its capital from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, representing a reduction percentage of 69.714167%, in order to offset one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals of the accumulated losses. The Authority's approval was announced on the websites of the Capital Market Authority and the Saudi Exchange.
//****H (corresponding to **/**/****G)	The Company's Extraordinary General Assembly, during its meeting held on **/**/***H (corresponding to **/**/****G), approved the reduction of the Company's capital from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, representing a reduction percentage of 69.714167%, in order to offset one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals of the accumulated losses. This approval was announced on the Saudi Exchange website.

Source: The Company

4-3 Subsidiaries

Company Name	Ownership Percentage	Main Activity	Place of Incorporation
Laffan Pipes Company	100%	Manufacture of Plastic Products	Kingdom of Saudi Arabia
Saudi Land Factory for Cement Product Co.	100%	Manufacture of cement products and accessories	Kingdom of Saudi Arabia

5. Members of the Board of Directors

The following table sets out the members of the Company's Board of Directors and each member's ownership of the Company's shares as at the date of this Circular.

Name	Position	Capacity	Nationality	Age	Shares Owned Before the Capital Reduction				Membership Date
					Direct	Percentage	Indirect*	Percentage	
Prince Faisal bin Abdulaziz bin Faisal Al Saud	Chairman	Non-Executive	Saudi	79	400,000	2.6666667%	-	-	18/10/2023G
Dr. Saad Saud Ibrahim Al Sayari	Vice Chairman of the Board	Executive	Saudi	81	50,000	0.3333333%	-	-	18/10/2023G
Abdullah Suliman Al Dabaan	Board Member	Non-Executive	Saudi	81	1,000	0.0066667%	231,000	1.54%	18/10/2023G
Sulaiman Nasser Jebran Alhatlan	Board Member	Indepen-dent	Saudi	53	10	0.0000667%	-	-	18/10/2023G
Saleh Bader Alsanie**	Board Member	Indepen-dent	Saudi	30	-	-	-	-	04/01/2026G
Ahmed Othman Abdullah Al Qasabi	Board Member	Indepen-dent	Saudi	64	-	-	-	-	18/10/2023G
Suliman Ali Al Abdullah Aldakheel	Board Member	Indepen-dent	Saudi	63	190	0.0012667%	-	-	18/10/2023G

Source: The Company and Saudi Exchange.

The current term of the Company's Board of Directors commenced on 18/10/2023G and will end on 17/10/2026G, pursuant to the election by the Ordinary General Assembly held on 12/03/1445H (corresponding to 27/09/2023G) for a term of thre years.

* The indirect ownership of Board Member Abdullah Suliman Al Dabaan resulted from his 50% ownership in Riyadh Investments Holding Company, a closed joint stock company that owns 1.54% of the shares of Saudi Vitrified Clay Pipe Company.

** On 04/01/2026G, the Board of Directors appointed Saleh Bader Alsanie as a Board Member to replace the resigning Board Member, Muayyad Issa Al-Qurtas. The Extraordinary General Assembly held on 27/01/1448H (corresponding to 12/07/2026G) approved the appointment of Mr. Saleh Bader Alsanie as an Independent Board Member of the Company, effective from 04/01/2026G, to complete the remainder of the current Board term ending on 17/10/2026G, replacing the former Board Member, Dr. Muayyad bin Issa Al-Qurtas.

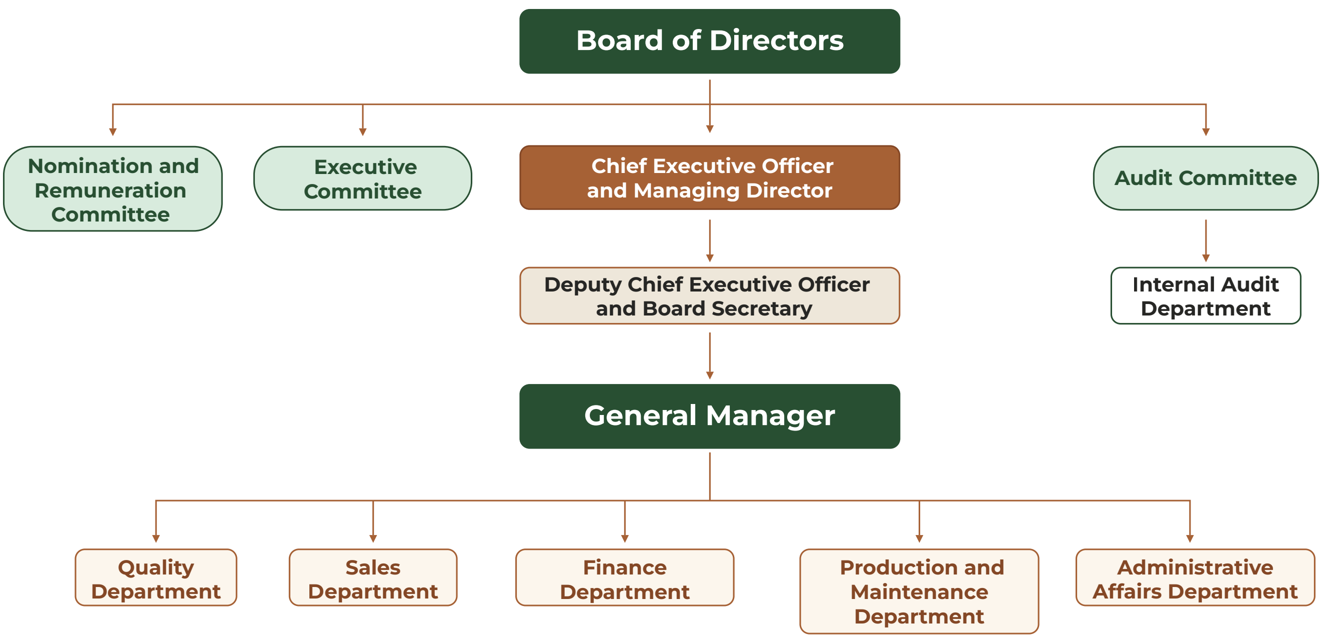
6. Members of Executive Management

The following table sets out the members of the Company's Executive Management and their respective ownership of the Company's shares as at the date of this Circular.

Name	Position	Nationality	Age	Direct Ownership Percentage	Indirect Ownership Percentage	Joining Date
Saad Saud Ibrahim Al Sayari	Chief Executive Officer and Managing Director	Saudi	81	%0.3333333	-	18/10/2023G
Saud Saad Al Sayari	Deputy Chief Executive Officer and Board Secretary	Saudi	48	-	-	18/10/2023G
Ali Saeed Al-Qahtani	General Manager	Saudi	48	-	-	01/02/2023G
Abdulkhaliq Abdullah Babakr Elhassan	Chief Financial Officer	Sudanese	52	-	-	01/03/2012G
Yasser Mohammed Al-Ezza	Sales Manager	Jordanian	36	-	-	01/03/2026G
Saad Manea Al-Qahtani	Administrative Affairs Manager	Saudi	40	-	-	01/12/2005G
Haitham Al-Shaer	Production and Maintenance Manager	Palestinian	36	-	-	01/04/2025G
Osama Abdulrahman	Quality Department Manager	Sudanese	34	-	-	01/04/2025G
Osama Ibrahim Al-Anazi	Internal Audit Manager	Saudi	33	-	-	01/11/2025G

Source: The Company

7. Organizational Structure of the Company



Source: The Company

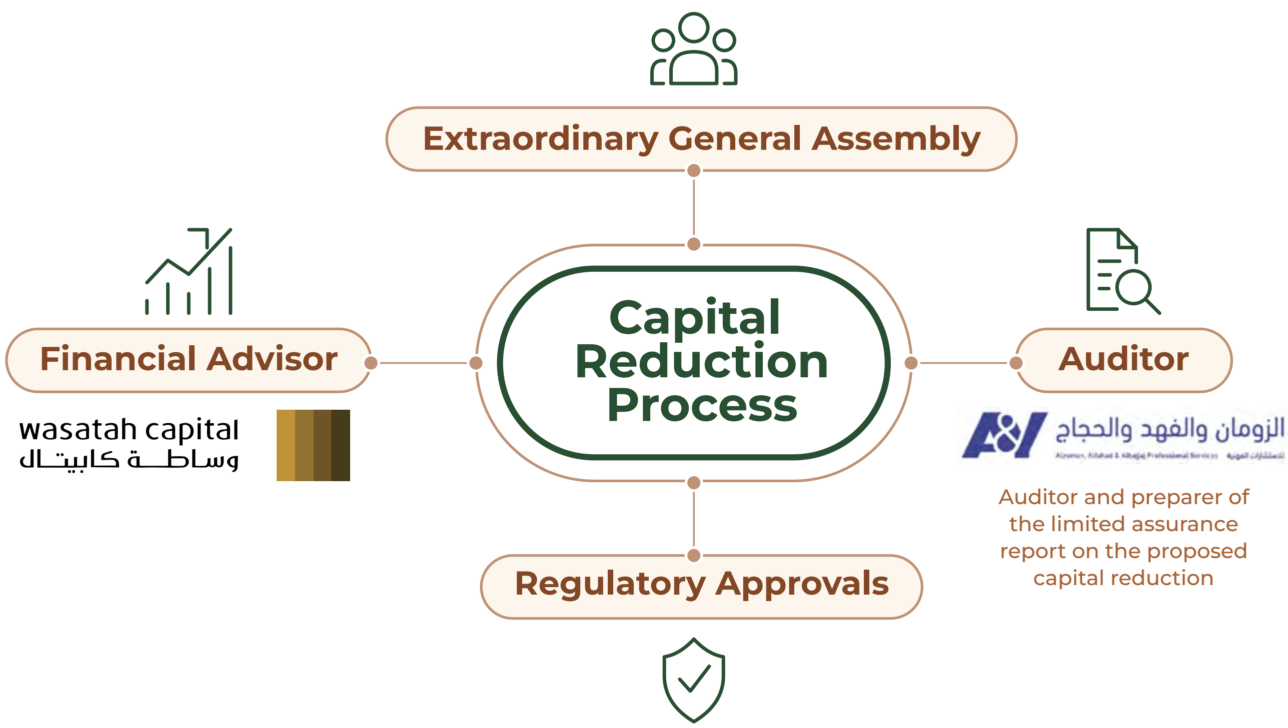
8. Capital Reduction

8-1 Capital Reduction Procedures

The Capital Reduction is subject to the following procedures:

- Recommendation of the Company's Board of Directors to Reduce the Capital.
- Appointment of the Financial Advisor for the Capital Reduction Process.
- Appointment of an Auditor to Prepare the Accounting Report on the Proposed Capital Reduction.
- Preparation and submission of the capital reduction application to the Capital Market Authority (CMA) in compliance with the provisions of Article 61 of the Rules on the Offer of Securities and Continuing Obligations relating to the conditions for capital reduction.
- CMA's approval of the company's capital reduction application.
- Submission of a notice to the Saudi Exchange (Tadawul) in the format set out in Appendix (5) of the Listing Rules
- The capital reduction process is subject to the approval of the Extraordinary General Assembly, and shareholders should be aware that if the approval of the Extraordinary General Assembly for this capital reduction process is not obtained, the capital reduction process will be completely terminated.
- In the event that the Extraordinary General Assembly approves the company's capital reduction, the Saudi Exchange (Saudi Tadawul) will suspend the trading of the company's shares for two consecutive trading sessions starting from the day following the Extraordinary General Assembly's approval of the capital reduction, after which trading will resume at the adjusted price. The company's capital reduction decision shall be effective such that the number of shares owned by shareholders who hold shares on the day of the Extraordinary General Assembly meeting and who appear in the company's registers at The Securities Depository Center (Edaa) at the end of trading on the second day following the Extraordinary General Assembly meeting relating to the capital reduction shall be adjusted.
- If the approval of the Extraordinary General Assembly for the capital reduction process is obtained, the company will contact the Ministry of Commerce to obtain its approval to amend the commercial register and the company's bylaws.
- The announcement of the deposit of the proceeds (if any) from the sale of fractional shares resulting from the company's capital reduction into the accounts of the eligible shareholders will be made within (30) days from the date of the shareholders' approval in the Extraordinary General Assembly of the company's capital reduction.
- Completing the relevant procedures with the Ministry of Commerce to issue the updated bylaws and the updated commercial register of the company.

8-2 Structure of the Parties Involved in the Capital Reduction Process



9. Development of Accumulated Losses

The following table summarizes the development of the accumulated losses in chronological order since 2023G.

Financial Period	Capital (Million Saudi Riyals)	Net Loss (Million Saudi Riyals)	Accumulated Losses (Million Saudi Riyals)	Accumulated Losses as a Percentage of Capital	Main Reasons for the Development of Accumulated Losses
31/12/2023G	150	(59.1)	15.1	10.1%	The company began recording net losses in fiscal year 2021, with net losses reaching approximately SAR 2.1 million. These losses continued into fiscal year 2022, reaching approximately SAR 8.8 million, contributing to the accumulation and increase of the company's losses. During fiscal year 2023, net losses increased significantly to approximately SAR 59.1 million, primarily due to the decrease in revenue as a result of lower demand for the Company's products and the recognition of an impairment provision for property, plant and equipment amounting to 46.4 million Saudi Riyals during the financial year 2023G. As the Company incurred losses during the current year and previous years, an indication of impairment of property, plant and equipment was identified. Accordingly, the Company's management conducted an impairment test using the income approach based on the discounted cash flow model, which resulted in the recognition of impairment losses amounting to 46.4 million Saudi Riyals during the financial year 2023G.
31/12/2024G	150	(108.4)	48.0	32.0%	The company incurred a net loss of SAR 108.4 million as a result of decrease in sales and increase in cost of sales, and the recognition of a material impairment of property, plant and equipment amounting to 48.7 million Saudi Riyals in the third quarter and an additional impairment amounting to 31.6 million Saudi Riyals at year-end, bringing the total accumulated impairment to 80.23 million Saudi Riyals as at 31/12/2024G. This was in addition to the continued impact of the impairment losses recognized during 2023G amounting to 46.4 million Saudi Riyals, bringing the total accumulated impairment losses on property, plant and equipment to approximately 126.7 million Saudi Riyals as at 31/12/2024G. The Extraordinary General Assembly approved, during its meeting held on 03/05/1446H (corresponding to 05/11/2024G), the transfer of the statutory reserve balance—amounting to SAR 75 million—to offset a portion of the company's accumulated losses.

Financial Period	Capital (Million Saudi Riyals)	Net Loss (Million Saudi Riyals)	Accumulated Losses (Million Saudi Riyals)	Accumulated Losses as a Percentage of Capital	Main Reasons for the Development of Accumulated Losses
31/12/2025G	150	(32.5)	80.9	53.9%	The increase in accumulated losses during 2025G was mainly attributable to the Company recording a net loss of 32.5 million Saudi Riyals, as the gross loss increased from 4.2 million Saudi Riyals, equivalent to 7.2% of revenue during 2024G, to 15.5 million Saudi Riyals, equivalent to 22.8% of revenue during 2025G. This was due to the 33.7% increase in the cost of revenue compared to an increase of only 16.7% in revenue, driven mainly by the increase in the cost of raw materials and production supplies from 17.7 million Saudi Riyals to 40.4 million Saudi Riyals, and the increase in water, electricity, gas and other direct costs from 9.2 million Saudi Riyals to 12.1 million Saudi Riyals, in addition to recording losses on the disposal of spare parts amounting to 2.3 million Saudi Riyals. Selling and distribution expenses also increased from 3.1 million Saudi Riyals to 7.2 million Saudi Riyals, representing an increase of 134.5%, due to the increase in freight expenses from 1.9 million Saudi Riyals to 6.2 million Saudi Riyals, alongside an increase in general and administrative expenses from 20.0 million Saudi Riyals to 21.4 million Saudi Riyals, and the recognition of impairment losses on property, plant and equipment and goodwill totaling 5.3 million Saudi Riyals.
30/06/2026G	150	(23.6)	104.5	69.7%	The increase in accumulated losses during the first half of 2026G was mainly attributable to the Group recording a net loss of 23.6 million Saudi Riyals, compared to a net loss of 20.2 million Saudi Riyals during the corresponding period of the previous year, representing an increase of 17.0%. Despite the improvement in gross loss from 5.5 million Saudi Riyals to 3.5 million Saudi Riyals, the results for the period were affected by higher operating expenses, as selling and marketing expenses increased from 2.9 million Saudi Riyals to 4.9 million Saudi Riyals, representing an increase of 68.1%, while general and administrative expenses increased from 10.5 million Saudi Riyals to 12.7 million Saudi Riyals, representing an increase of 20.8%, in addition to the recognition of a provision for expected credit losses amounting to 1.3 million Saudi Riyals.

10. The Company's Plan and Corrective Measures to Halt Losses

Saudi Vitrified Clay Pipe Company attributes the accumulation of its losses during recent years to a number of operational and market factors, most notably the decrease in sales volume during certain periods, the increase in the cost of revenue and operating costs, the underutilization of production capacity at the targeted levels, and the recognition of material impairment losses on property, plant and equipment.

The Company recognized impairment losses on property, plant and equipment amounting to 46.4 million Saudi Riyals during 2023G and additional impairment losses amounting to 80.24 million Saudi Riyals during 2024G. The Group also recognized additional impairment losses on property, plant and equipment amounting to 3.04 million Saudi Riyals during 2025G and impairment losses on goodwill amounting to 2.30 million Saudi Riyals during 2025G.

During 2025G, the Group recorded a net loss of 32.49 million Saudi Riyals, as the gross loss increased from 4.21 million Saudi Riyals during 2024G to 15.55 million Saudi Riyals during 2025G as a result of the cost of revenue increasing at a rate higher than the revenue growth rate. Selling and distribution expenses also increased from 3.08 million Saudi Riyals to 7.22 million Saudi Riyals, while general and administrative expenses increased from 19.97 million Saudi Riyals to 21.43 million Saudi Riyals. These factors contributed to the increase in accumulated losses to 80.93 million Saudi Riyals as at 31/12/2025G and subsequently to 104.6 million Saudi Riyals as at 30/06/2026G.

In light of the foregoing, the Company developed a plan to address the causes of the losses and improve its financial and operational performance based on the following key areas:

First: Capital Restructuring and Offsetting Accumulated Losses

The Capital Reduction contemplated in this Circular aims to restructure the Company's capital to reflect its financial position by offsetting an amount of 104,571,250 Saudi Riyals against the total accumulated losses of 104,571,259 Saudi Riyals as at 30/06/2026G, according to the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G. Accordingly, the remaining balance of accumulated losses following the Capital Reduction will amount to 9 Saudi Riyals.

The Capital Reduction will be implemented through the cancellation of 10,457,125 of the Company's shares, resulting in the Company's capital following the Capital Reduction amounting to 45,428,750 Saudi Riyals, divided into 4,542,875 ordinary shares, compared to the current capital of 150,000,000 Saudi Riyals, divided into 15,000,000 ordinary shares, representing a reduction percentage of approximately 69.71417%.

The Capital Reduction represents an accounting measure to offset the accumulated losses and restructure equity. It will not result in any cash inflow to the Company, nor will it, in itself, have any direct impact on the Company's total equity, liquidity or liabilities. The Capital Reduction will help present the Company's financial position more appropriately and prepare the Company to implement its future financing and operational plans.

Second: Plan to Support the Financial Position through a Future Capital Increase

At its meeting held on 21/07/2026G, the Company's Board of Directors recommended increasing the Company's capital through an offering of Rights Issue Shares with an aggregate value of ninety million (90,000,000) Saudi Riyals, subject to obtaining the approval of the Capital Market Authority and the Extraordinary General Assembly and completing all relevant regulatory requirements and procedures.

The proposed Capital Increase aims to strengthen the Company's financial position and available liquidity and support the implementation of its corrective, operational and expansion plans, including the development and modernization of existing production lines, the purchase and installation of modern machinery and equipment, improving operational efficiency and production capacity, completing and equipping additional manufacturing lines and areas, and supporting expansion in concrete and plastic pipe activities through its subsidiaries.

The Company's plan also includes supporting working capital requirements and financing the purchase of raw materials and production supplies, improving logistics operations and storage and distribution facilities, repaying part of the existing financial obligations, and financing growth and expansion opportunities and investments related to the activities of the Company and its subsidiaries.

Through this plan, the Company aims to diversify its products and revenue sources, improve the utilization of production capacity, enhance operational efficiency, reduce production and transportation costs, and strengthen its ability to meet demand and participate in infrastructure, water and sewerage projects throughout the Kingdom.

The detailed uses of the Offering Proceeds, the amounts allocated to each use and the expected implementation timelines will be determined in the Rights Issue Prospectus after completing the necessary studies and obtaining the relevant regulatory approvals.

Third: Improving Gross Profit and Production Operations Efficiency

The Company is working to address the increase in the cost of revenue and improve the gross profit margin through the following measures:

- Reviewing the costs of purchasing raw materials and production supplies and seeking alternative suppliers and sources offering more competitive terms and prices.
- Strengthening controls over the consumption of raw materials and reducing waste, losses and scrap throughout the production stages.
- Improving the planning and scheduling of production orders in line with actual demand, with the aim of increasing the utilization of production capacity and limiting the incurrence of fixed costs in respect of unutilized capacity.
- Reviewing the efficiency of production lines and carrying out the necessary maintenance and upgrades to reduce breakdowns and improve productivity and product quality.
- Monitoring profit margins at the product, customer and project levels and focusing on products and projects that generate better margins and returns.

Fourth: Rationalizing General and Administrative Expenses

The Company is working to control general and administrative expenses by preparing detailed budgets, monitoring actual variances against approved amounts, reviewing contracts and recurring expenses, applying appropriate approval levels for expenditures, and linking the performance of departments to measurable key performance indicators.

Fifth: Diversifying Products and Revenue Sources

The Company seeks to reduce its reliance solely on the vitrified clay pipe business by expanding the concrete pipe and plastic pipe segments through its two subsidiaries, enabling it to offer a broader range of products used in water, sewerage, stormwater drainage and infrastructure projects.

Revenue development measures include strengthening commercial relationships with key customers and contractors, increasing the Company's participation in tendered projects, seeking to include its products in the specifications of new projects, expanding its distribution network, and assessing expansion opportunities in local and international markets, with a focus on projects and products offering suitable profit margins and cash flows.

Sixth: Restructuring Assets and Liabilities

During 2025G, the Company sold the assets of its second plant, which produces vitrified clay pipes and related accessories, for a value and assigned the lease agreement for the land on which the plant is situated for 45 million Saudi Riyals. This formed part of the measures to restructure assets, improve liquidity and reduce costs associated with assets not utilized at the required level of efficiency. The Company will also continue to evaluate its assets periodically and assess whether to retain, sell or redeploy them based on their operational and financial feasibility.

In parallel, the Company is working to restructure certain credit facilities and negotiate repayment terms with financing entities, in addition to allocating part of the proceeds of the future Capital Increase to repay financial obligations and reduce financing costs.

The Company's management believes that combining the Capital Reduction to offset accumulated losses, supporting liquidity and the financial position through the future Capital Increase following the receipt of the required approvals, and implementing operational measures to improve production efficiency, reduce costs and diversify revenue sources would support the Company's ability to limit losses and improve its financial and operational performance.

Nevertheless, there can be no assurance that these measures will achieve the targeted results within the expected timeframes, as the success of the plan depends on several factors, including obtaining regulatory approvals, completing the proposed financing, market conditions, demand levels, raw material prices, and the Company's ability to implement its operational and investment plans in accordance with the approved timelines and budgets.

11. General Structure of the Proposed Capital Reduction

The Company's current capital amounts to one hundred fifty million (150,000,000) Saudi Riyals, divided into fifteen million (15,000,000) ordinary shares with a fully paid nominal value of ten (10) Saudi Riyals per share.

On 07/02/1448H (corresponding to 21/07/2026G), the Board of Directors recommended to the Extraordinary General Assembly that the Company's capital be reduced from one hundred fifty million (150,000,000) Saudi Riyals to sixty-four million seven hundred fifteen thousand seven hundred (64,715,700) Saudi Riyals through the cancellation of eight million five hundred twenty-eight thousand four hundred thirty (8,528,430) ordinary shares, representing a reduction percentage of 56.856%, in order to offset eighty-five million two hundred eighty-four thousand three hundred (85,284,300) Saudi Riyals of the Company's accumulated losses.

On 30/02/1448H (corresponding to 13/08/2026G), the Board of Directors issued a resolution amending its recommendation to the Extraordinary General Assembly in view of the increase in total accumulated losses as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G. The Company announced that the recommendation of its Board of Directors to the Extraordinary General Assembly had been amended such that the Company's capital would be reduced from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, representing a reduction percentage of 69.714167%, in order to offset one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals of the accumulated losses.

The Capital Reduction percentage is (69.714167%) and will be implemented through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, meaning that approximately one (1) share will be cancelled for every (1.43) shares, in order to offset one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals of the accumulated losses, representing approximately (99.999999%) of the Company's accumulated losses amounting to one hundred four million five hundred seventy-one thousand two hundred fifty-nine (104,571,259) Saudi Riyals, as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G. Following the Capital Reduction, the Company's accumulated losses will amount to nine (9) Saudi Riyals, representing approximately (0.00002%) of the Company's new capital of forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals.

Following the approval of the Capital Reduction by the Extraordinary General Assembly, the Capital Reduction resolution will become effective, and trading in the Company's shares on the Saudi Exchange website will be suspended for two trading days, commencing on the day following the Extraordinary General Assembly's approval of the Capital Reduction. Trading will thereafter resume at the adjusted price.

The Company will aggregate any fractional shares (if any) arising from the Capital Reduction in a single portfolio and subsequently sell them in the market at the prevailing price at that time. The proceeds from their sale will then be distributed to the Company's eligible shareholders, each in proportion to their ownership, within thirty (30) days from the date of the shareholders' approval of the Capital Reduction at the Extraordinary General Assembly.

Date of the Financial Statements relied upon for the purposes of the Capital Reduction: the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G.

12. Reasons for the Capital Reduction and Management Discussion and Analysis

The Company's management developed a strategy to improve the current situation and support the Company's future growth and financial performance and resolved to restructure the Company's capital through the Capital Reduction in order to offset approximately (99.999999%) of the Company's accumulated losses, which amounted to one hundred four million five hundred seventy-one thousand two hundred fifty-nine (104,571,259) Saudi Riyals, as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G. Reducing the accumulated losses is one of the most important decisions in light of the circumstances facing the Company, and the Company is working to rectify its position to halt the losses and achieve profits.

On 07/02/1448H (corresponding to 21/07/2026G), the Company announced through the Saudi Exchange (Tadawul) website that its Board of Directors had recommended to the Extraordinary General Assembly that the Company's capital be reduced from one hundred fifty million (150,000,000) Saudi Riyals to sixty-four million seven hundred fifteen thousand seven hundred (64,715,700) Saudi Riyals through the cancellation of eight million five hundred twenty-eight thousand four hundred thirty (8,528,430) ordinary shares, representing a reduction percentage of 56.856%, in order to offset eighty-five million two hundred eighty-four thousand three hundred (85,284,300) Saudi Riyals of the Company's accumulated losses.

On 03/03/1448H (corresponding to 16/08/2026G), the Company also announced that its Board of Directors had issued a resolution amending its recommendation to the Extraordinary General Assembly in view of the increase in total accumulated losses as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G. The amended recommendation provides for reducing the Company's capital from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, representing a reduction percentage of 69.714167%, in order to offset one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals of the accumulated losses.

The Company's accumulated losses amounted to one hundred four million five hundred seventy-one thousand two hundred fifty-nine (104,571,259) Saudi Riyals, as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G. These losses will be offset through a reduction of the Company's capital by one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals. Consequently, the accumulated losses will decrease to nine (9) Saudi Riyals, representing approximately (0.00002%) of the Company's capital following the Capital Reduction.

13. Effect of the Company's Capital Reduction on the Company's Liabilities

The Company appointed Yasser Zoman Al Zoman, Khalid Fawzan Al Fahad and Zaher Abdullah Al Hajjaj Company for Professional Consulting to prepare the Limited Assurance Report on the Proposed Capital Reduction of the Company, which sets out the reasons for the Capital Reduction and the impact of such reduction on the Company's liabilities and shareholders' equity.

The Capital Reduction will have no impact on the Company's liabilities, as stated in the Auditor's Report and as set out in the appendix attached to this Circular.

14. Effect of the Company's Capital Reduction on the Company's Shareholders' Equity

The Company's accumulated losses amounted to one hundred four million five hundred seventy-one thousand two hundred fifty-nine (104,571,259) Saudi Riyals, as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G. The reduction of the capital by one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals will result in offsetting approximately (99.999999%) of the total accumulated losses. Following the Capital Reduction, the accumulated losses will amount to nine (9) Saudi Riyals, representing approximately (0.00002%) of the Company's capital after the reduction.

There will be no adverse impact on the Company's liabilities or shareholders' equity. The following table illustrates the impact on shareholders' equity based on the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G.

Shareholders' Equity	Before Capital Reduction Saudi Riyals	After Capital Reduction Saudi Riyals	Impact Saudi Riyals
Capital	150,000,000	45,428,750	(104,571,250)
Accumulated Losses	(104,571,259)	(9)	104,571,250
Total Shareholders' Equity	**45,428,741**	**45,428,741**	-

Source: The attached Auditor's Report and the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G.

The Company intends to reduce its capital by one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares from the Company's issued shares, at a cancellation rate of (0.69714167) share for every (1) share.

The Company will aggregate any fractional shares (if any) resulting from the Capital Reduction into a single portfolio and subsequently sell them in the market at the prevailing price at that time. The sale proceeds will then be distributed to the Company's eligible shareholders, each in proportion to their ownership, within thirty (30) days from the date on which the shareholders at the Extraordinary General Assembly approve the Company's Capital Reduction.

The Company's Capital Reduction will not affect the market value of the Company's shareholders' portfolios, as illustrated below for a shareholder holding 1,000 Company shares in their portfolio:

Item (Estimated)*	Upon Capital Reduction	Without Capital Reduction
Shares owned before reduction	1,000	1,000
Share price before reduction (closing on 31/08/2026)**	21.00 Saudi Riyals	21.00 Saudi Riyals
Cancelled shares	(698)	Not applicable
Shares owned after reduction	302	Not applicable
Estimated share price after reduction	69.34 Saudi Riyals	Not applicable
Market value of shares before reduction (estimated)	21,000 Saudi Riyals	21,000 Saudi Riyals
Estimated market value of shares after reduction	20,940 Saudi Riyals	Not applicable
Estimated value of compensation resulting from the capital reduction	59.52 Saudi Riyals	Not applicable

*The example in the table above contains estimated values and is provided for illustrative purposes. No investment decision should be made based on the information contained therein, and the actual value of the shares will depend on the prevailing market conditions at that time.

**The presentation to shareholders will be updated by adding the share's closing price on the date of the Extraordinary General Assembly Meeting.

It should be noted that a shareholder holding three or fewer Company shares in their portfolio will have such shares cancelled and will be compensated for the fractional shares to which they are entitled. The following table illustrates the impact on a shareholder holding up to 10 shares:

Shares owned before reduction	Item (Estimated) *									
	1	2	3	4	5	6	7	8	9	10
Share price before reduction (closing on 31/08/2026) **	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Cancelled shares	1	2	3	3	4	5	5	6	7	7
Shares owned after reduction	0	0	0	1	1	1	2	2	2	3
Number of eligible fractional shares (estimated)	0.30	0.61	0.91	0.21	0.51	0.82	0.12	0.42	0.73	0.03
Estimated share price after reduction	69.34	69.34	69.34	69.34	69.34	69.34	69.34	69.34	69.34	69.34
Market value of shares before reduction	21.00	42.00	63.00	84.00	105.00	126.00	147.00	168.00	189.00	210.00
Estimated market value of shares after reduction	0.00	0.00	0.00	69.34	69.34	69.34	138.68	138.68	138.68	208.02
Estimated value of compensation resulting from the capital reduction	21.00	42.00	63.00	14.66	35.66	56.66	8.32	29.32	50.32	1.98

*The example in the table above contains estimated values and is provided for illustrative purposes. No investment decision should be made based on the information contained therein, and the actual value of the shares will depend on the prevailing market conditions at that time.

**The presentation to shareholders will be updated by adding the share's closing price on the date of the Extraordinary General Assembly Meeting.

15. Method of Calculating the Share Price After the Capital Reduction

The share price before the reduction has been assumed to be the closing price of Saudi Vitrified Clay Pipe Company's share on 31/08/2026G, which amounted to (21.00) Saudi Riyals. The following table illustrates how the share price after the Capital Reduction is calculated.

Item (Estimated)*	Value
(A) Share price before reduction (closing on 31/08/2026) 21.00 (Saudi Riyal)	21.00
(B) Number of shares before reduction	15,000,000
(C) Market value of the company's shares before reduction = (A) * (B) (Saudi Riyal)	315,000,000
(D) Number of shares after reduction	4,542,875
Share price after reduction = (C) ÷ (D) (Saudi Riyal)	**69.34**

*The example in the table above contains estimated values and is provided for illustrative purposes. No investment decision should be made based on the information contained therein, and the actual value of the shares will depend on the prevailing market conditions at that time.

**The presentation to shareholders will be updated by adding the share's closing price on the date of the Extraordinary General Assembly Meeting.

16. Potential Risks Resulting from the Company's Capital Reduction

The Company's management believes that the decision to reduce the Company's capital is one of the most important decisions in light of the circumstances facing the Company as a result of the accumulated losses, which amounted to one hundred four million five hundred seventy-one thousand two hundred fifty-nine (104,571,259) Saudi Riyals, as reflected in the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G, representing approximately (69.71%) of the Company's capital. Following the reduction of the capital by one hundred four million five hundred seventy-one thousand two hundred fifty (104,571,250) Saudi Riyals, the accumulated losses will decrease to nine (9) Saudi Riyals, representing approximately (0.00002%) of the Company's capital after the reduction (for further details, please refer to page No. (14) and paragraph No. (12), "Reasons for the Capital Reduction and Management Discussion and Analysis," of this Circular). The order of the potential risks set out below does not indicate their importance.

1. Risks Relating to Fluctuations in the Market Price of the Share and the Resulting Impact on Compensation for Fractional Shares (if any)

The market price of the Company's share may experience significant fluctuations and instability as a result of several factors, including equity market conditions, regulatory changes in the sector and the entry of new competitors. If the market price of the share declines following the Capital Reduction, shareholders will lose part of the value of their investments in the Company's shares. In addition, the impact on the value of compensation for fractional shares is similar to the impact of fluctuations in the Company's share price, as such fractional shares will be sold at the prevailing market price at that time.

2. Risks Relating to Holding Three Shares or Fewer

If a shareholder holds three shares or fewer, such shares will be cancelled, and the shareholder will consequently be compensated for the fractional shares, which will be sold at that time. It should be noted that trading in the Company's shares will be suspended for two business days following the day on which the Extraordinary General Assembly approves the Capital Reduction, to allow the Securities Depository Center Company (Edaa) to apply the reduction to shareholders' investment portfolios pursuant to Article 38 and subparagraph (c-6) of the Listing Rules (for further details, please refer to page No. (15) and paragraph No. (14), "Effect of the Company's Capital Reduction on the Company's Shareholders' Equity," of this Circular).

3. Risks Related to Forward-Looking Projections and Unknown Future Events

Certain statements contained in this Circular may constitute projections and forward-looking statements and involve known and unknown risks and certain uncertainties that affect the Company's financial results. Such statements include, without limitation, the Company's future plans, the effects of the Capital Reduction and other matters. The Company's future results and performance cannot be accurately predicted and may differ from those set out in this Circular, as the actual results depend on the Company's performance and its ability to develop. The potential inaccuracy of such projections and statements is one of the risks borne by shareholders when approving the Capital Reduction. If the Company's forward-looking projections differ from the actual results, this may adversely affect the share price.

4. Risks Related to Non-Compliance with Existing Laws and Regulations and the Issuance of New Laws and Regulations

The Company is subject to the supervision of several government authorities in the Kingdom of Saudi Arabia. Accordingly, the Company is exposed to risks arising from changes to the laws, regulations, circulars and policies in the Kingdom. The costs of complying with such regulations are high. If amendments are made to existing laws or regulations or new laws or regulations are issued, the Company may incur unexpected additional financial expenses to comply with such regulations and satisfy the requirements of such laws. The Company may also be subject to penalties and fines imposed by the competent supervisory authorities if it fails to continuously comply with such laws and regulations, which may adversely affect its business, results of operations, financial position and future prospects.

5. Risks Related to Liquidity

Liquidity risk represents the Company's inability to meet its obligations relating to current financial liabilities as they fall due. The Company's current liabilities include, without limitation, accrued expenses, trade payables and short-term Murabaha financing.

The Company's liquidity ratio amounted to approximately (9.27) times, (2.41) times, (1.56) times and (0.75) times as of 31 December 2023G, 2024G, 2025G and for the six-month period ended 30/06/2026G, respectively. These ratios reflect a significant decline in the Company's ability to cover its current liabilities using its current assets. When the liquidity ratio is below (1), this indicates that the Company may not have sufficient ability to settle its current liabilities using its current assets. Working capital amounted to (103.7) million Saudi Riyals, (43.1) million Saudi Riyals, (25.7) million Saudi Riyals and (-19.3) million Saudi Riyals as of 31 December 2023G, 2024G, 2025G and for the six-month period ended 30/06/2026G, respectively. These figures indicate that the Company's current liabilities exceeded its current assets during the first half of 2026G, reflecting a liquidity deficit that may result in the Company being unable to meet its short-term financial obligations using its current assets.

There can be no assurance that the Company will be able to meet its current or future obligations when they fall due, particularly its short-term obligations. Therefore, the Company must improve its liquidity level to enable it to meet its short-term obligations; otherwise, it will face additional liquidity issues that may adversely affect the Company's business and, consequently, its operating and financial results and future prospects.

6. Risks Related to Accumulated Losses

The Company's accumulated losses represented (10.1%), (32.0%), (53.9%) and (69.7%) of its capital as at the financial years ended in 31 December 2023G, 2024G, 2025G and for the six-month period ended 30/06/2026G, respectively. Pursuant to the Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or More of their Share Capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G), based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by the Capital Market Authority Board Resolution No. (8-5-2023) dated 25/06/1444H (corresponding to 18/01/2023G), Article Five concerning the Company's accumulated losses reaching 50% or more of its capital requires the Company to immediately and without delay disclose to the public through a separate announcement when its accumulated losses reach 50% or more of its capital. The announcement must include the amount of the accumulated losses, their percentage of the capital and the main reasons that led to such losses, together with a statement that these Procedures and Instructions will apply to the Company. If the required disclosure coincides with the announcement of interim or annual financial results, the Company will be exempt from making a separate announcement if the required disclosure is included in the announcement of the interim or annual financial results.

If the Company continues to incur losses in the future, which may require it to comply with the Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 50% or More of their Share Capital, this will have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

7. Risks Related to the Company's Going Concern

The Company's ability to continue as a going concern, as part of its efforts to achieve sustainable growth and strengthen its competitive position, depends on its ability to implement its strategy efficiently. This strategy includes, without limitation, reducing the capital to offset accumulated losses, supporting liquidity and the financial position through a future Capital Increase after obtaining the required approvals, and implementing operational measures to enhance production efficiency, reduce costs and diversify revenue sources, which would support the Company's ability to limit its losses and improve its financial and operational performance.

The Independent Auditor's Review Report on the Condensed Consolidated Interim Financial Statements (Unaudited) for the three-month and six-month periods ended 30/06/2026G included a material uncertainty related to the Company's ability to continue as a going concern. The Company incurred a net loss of 23.6 million Saudi Riyals during the six-month period ended 30/06/2026G, its accumulated losses exceeded 50% of its capital, and its current liabilities exceeded its current assets by 19.3 million Saudi Riyals as at 30/06/2026G.

Given the rapid pace of market changes and the market's increasing reliance on innovation, failure to implement the plans may weaken the Company's competitiveness and adversely affect its future growth opportunities, which may adversely affect its financial position, results of operations and future prospects.

8. Risks Related to the Company's Reputation

Capital reductions by companies are generally perceived negatively by the market and may also give rise to numerous assumptions and expectations concerning the Company's financial and commercial position that may not be correct or accurate. This may affect the share price and the trading activity of the Company's shares and may adversely affect the Company's business, financial position, results of operations and future prospects.

9. Risks Related to Unexpected Incidents

The Company's business and results depend entirely on the continuity of its operations. Accordingly, if any matter adversely affects its business, or if the Company is exposed to any incident or emergency that temporarily or permanently affects the continuity of its operations, this will have a material adverse effect on the Company's operating and financial results and, consequently, its working capital.

17. Timeline for the Capital Reduction Process

Date	Event
1. Procedures related to obtaining the Capital Market Authority's approval for the capital reduction	
07/02/1448H (corresponding to 21/07/2026G)	Announcement of the Board of Directors' recommendation to reduce the capital from one hundred fifty million (150,000,000) Saudi Riyals to sixty-four million seven hundred fifteen thousand seven hundred (64,715,700) Saudi Riyals.
07/02/1448H (corresponding to 21/07/2026G)	Announcement of the appointment of the Financial Advisor for the Company's Capital Reduction process.
03/03/1448H (corresponding to 16/08/2026G)	The Company announced the latest developments relating to the Board of Directors' recommendation to reduce the Company's capital, under which the Company's capital would be reduced from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals.
07/03/1448H (corresponding to 20/08/2026G)	Submission of the Company's Capital Reduction application to the Capital Market Authority.
25/03/1448H (corresponding to 07/09/2026G)	Capital Market Authority's approval of the company's capital reduction application. This approval was announced on the Capital Market Authority's website and the Saudi Exchange (Tadawul) website.
2. Procedures related to the Extraordinary General Assembly	
//1448H (corresponding to **/**/2026G)	Calling for this Extraordinary General Assembly and announcing it on the Saudi Exchange (Tadawul) website, and a copy of this presentation was also included in the announcement.
//1448H (corresponding to **/**/2026G)	Providing the documents available for inspection related to the capital reduction process, including this circular (during a period of not less than (14) working days prior to the date of the Extraordinary General Assembly meeting dedicated to reducing the company's capital) (during official working hours from 8:00 AM to 4:30 PM).
//1448H (corresponding to **/**/2026G)	Start of electronic voting on the agenda items of the Extraordinary General Assembly meeting including the capital reduction (First Meeting).
//1448H (corresponding to **/**/2026G)	Convening of the Extraordinary General Assembly including the capital reduction (First Meeting). The quorum for the first meeting is met by the attendance of shareholders representing at least half of the company's capital.
//1448H (corresponding to **/**/2026G)	Convening of the Extraordinary General Assembly including the capital reduction (Second Meeting), one hour after the end of the period specified for the first meeting of the Extraordinary General Assembly in the event that the legal quorum required for its convention is not met. The quorum for the second meeting is met by the attendance of shareholders representing at least one-quarter of the company's capital.
//1448H (corresponding to **/**/2026G)	Publishing the reduction resolution and other resolutions adopted at the first or second meeting of the company's Extraordinary General Assembly on the Saudi Exchange (Tadawul) website, (or announcing the non-convening of the Extraordinary General Assembly in the event that its legal quorum is not met).
3. Procedures related to the event that the legal quorum for the first and second meetings of the Extraordinary General Assembly is not met	
//1448H (corresponding to **/**/2026G)	Announcing on the Saudi Exchange (Tadawul) website the call for the third meeting of the Extraordinary General Assembly at least (21) calendar days prior to the specified date.
//1448H (corresponding to **/**/2026G)	Start of the electronic voting period for shareholders in the third meeting of the Extraordinary General Assembly.
//1448H (corresponding to **/**/2026G)	Convening of the third meeting of the Extraordinary General Assembly. The legal quorum for the convening of the third meeting of the Extraordinary General Assembly is met regardless of the number of shares represented therein.
//1448H (corresponding to **/**/2026G)	Publishing the reduction resolution and other resolutions adopted at the third meeting of the Extraordinary General Assembly on the Saudi Exchange (Tadawul) website.
4. Procedures related to completing the capital reduction process	
//1448H (corresponding to **/**/2026G)	Effectiveness of the capital reduction resolution and announcing it among the resolutions of the Extraordinary General Assembly.
//1448H (corresponding to **/**/2026G)	Suspending the trading of shares on the Saudi Exchange (Tadawul) website for two trading days, starting from the day following the Extraordinary General Assembly's approval of the capital reduction.
//1448H (corresponding to **/**/2026G)	Adjusting the share price after the capital reduction, which will take place on the day following the suspension of share trading.
Within (30) days from the date of the shareholders' approval in the Extraordinary General Assembly for the company's capital reduction	Announcing the deposit of the proceeds from the sale of fractional shares resulting from the company's capital reduction into the accounts of eligible shareholders.

18. Declaration of the Members of the Board of Directors

To the best of their knowledge and belief, the members of the Company's Board of Directors confirm that the Company's Capital Reduction is in the best interests of the Company and its shareholders.

19. Regulatory Approvals Required to Complete the Company's Capital Reduction Process

On 25/03/1448H (corresponding to 07/09/2026G), the Company obtained the approval of the Capital Market Authority to reduce the Company's capital from one hundred fifty million (150,000,000) Saudi Riyals to forty-five million four hundred twenty-eight thousand seven hundred fifty (45,428,750) Saudi Riyals through the cancellation of ten million four hundred fifty-seven thousand one hundred twenty-five (10,457,125) ordinary shares, representing a reduction percentage of 69.714167% of the capital. This approval was announced on the websites of the Capital Market Authority and the Saudi Exchange (Tadawul) on 25/03/1448H (corresponding to 07/09/2026G).

The Capital Reduction process requires the shareholders' approval, and the shareholders should be aware that if their approval of this Capital Reduction process is not obtained, the Capital Reduction will not proceed. (The Company issued an invitation to convene this Extraordinary General Assembly and announced it on the Saudi Exchange website on** /**/1448H (corresponding to **/**/2026G), and a copy of this presentation was included in the announcement).

If the shareholders' approval of the Capital Reduction process is obtained, the Company will proceed with the procedures for reducing its capital and will contact the Ministry of Commerce to obtain its approval to amend the Company's Bylaws and Commercial Registration.

Other than the approvals stated above, there are no other regulatory approvals that the Company is required to obtain to complete the Capital Reduction process.

20. Relevant Laws, Regulations and Instructions

- The Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), and any amendments thereto.
- The Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G), and any amendments thereto.
- The Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by the Board of the Capital Market Authority pursuant to Resolution No. (3-6-2026) dated 30/07/1447H (corresponding to 19/01/2026G), and any amendments thereto.
- The Corporate Governance Regulations issued by the Board of the Capital Market Authority pursuant to Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), based on the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by the Board of the Capital Market Authority pursuant to Resolution No. (8-5-2023) dated 25/06/1444H (corresponding to 18/01/2023G), based on the Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), and any amendments thereto.
- The Implementing Regulation of the Companies Law for Listed Joint Stock Companies issued by the Board of the Capital Market Authority pursuant to Resolution No. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G), based on the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H, as amended by the Board of the Capital Market Authority pursuant to Resolution No. 3-44-2026 dated 11/10/1447H (corresponding to 30/03/2026G), based on the Companies Law issued by Royal Decree No. M/132 dated 01/12/1443H, and any amendments thereto.
- The Listing Rules issued by the Saudi Exchange (Tadawul) and approved by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended pursuant to Resolution No. 1-46-2026 dated 13/10/1447H (corresponding to 01/04/2026G), and any amendments thereto.
- The Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching (20%) or More of their Share Capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. (4-48-2013) dated 15/01/1435H (corresponding to 18/11/2013G), based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by the Board of the Capital Market Authority pursuant to Resolution No. (8-5-2023) dated 25/06/1444H (corresponding to 18/01/2023G), and any amendments thereto.
- The Company's Bylaws and any amendments thereto.

21. Important Information

Pursuant to the Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), and any amendments thereto, particularly Article (133) of the Companies Law, which provides that the capital shall be reduced through one of the following methods:

- Cancelling a number of shares equal to the amount required to be reduced.
- Reducing the nominal value of each share by cancelling a portion thereof equal to the loss incurred by the Company.
- Reducing the nominal value of each share by returning a portion thereof to the shareholder or releasing the shareholder from the obligation to pay all or part of the unpaid amount of the share's value.
- The Company purchasing a number of its shares equal to the amount required to be reduced and subsequently cancelling them.

With reference to the Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching (20%) or More of their Share Capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. (4-48-2013) dated 15/01/1435H (corresponding to 18/11/2013G), based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H, as amended by the Board of the Capital Market Authority pursuant to Resolution No. (8-5-2023) dated 25/06/1444H (corresponding to 18/01/2023G), and any amendments thereto.

The Company must immediately and without delay disclose to the public through a separate announcement when its accumulated losses reach (20%) or more but less than (35%) of its share capital. The announcement must include the amount of the accumulated losses, their percentage of the share capital and the main reasons that led to such losses, together with a statement that these Procedures and Instructions will apply to the Company. If the disclosure required pursuant to this paragraph coincides with the announcement of the interim or annual financial results, the Company will be exempt from making a separate announcement if such disclosure is included in the announcement of the interim or annual financial results.

The Company must immediately and without delay disclose to the public through a separate announcement when its accumulated losses reach (35%) or more but less than (50%) of its share capital. The announcement must include the amount of the accumulated losses, their percentage of the share capital and the main reasons that led to such losses, together with a statement that these Procedures and Instructions will apply to the Company. If the disclosure required pursuant to this paragraph coincides with the announcement of the interim or annual financial results, the Company will be exempt from making a separate announcement if such disclosure is included in the announcement of the interim or annual financial results.

The Company must immediately and without delay disclose to the public through a separate announcement when its accumulated losses reach (50%) or more of its share capital. The announcement must include the amount of the accumulated losses, their percentage of the share capital and the main reasons that led to such losses, together with a statement that the Procedures and Instructions Related to Companies Listed on the Saudi Capital Market with Accumulated Losses Reaching (50%) or More of their Share Capital will apply to the Company. If the disclosure required pursuant to this paragraph coincides with the announcement of the interim or annual financial results, the Company will be exempt from making a separate announcement if such disclosure is included in the announcement of the interim or annual financial results.

Pursuant to Article (134) of the Companies Law, the Extraordinary General Assembly may resolve to reduce the Company's capital if the Company incurs losses. In such case only, the capital may be reduced below the minimum prescribed in Article (59) of the Companies Law, i.e., (500,000) Saudi Riyals. The resolution may only be issued after a statement prepared by the Board of Directors setting out the reasons necessitating the reduction, the Company's obligations and the effect of the reduction on the Company's ability to fulfil such obligations has been read at the General Assembly. A report from the Company's Auditor must be attached to this statement.

Pursuant to Article (93) of the Companies Law, an Extraordinary General Assembly Meeting shall not be valid unless attended by shareholders representing at least (half) of the Company's shares carrying voting rights, unless the Company's Bylaws provide for a higher percentage, provided that such percentage does not exceed (two-thirds). If the quorum required to hold the Extraordinary General Assembly Meeting is not met, an invitation shall be issued for a second meeting to be held under the same conditions prescribed in Article (91) of the Companies Law. However, the second meeting may be held one hour after the end of the period specified for holding the first meeting, provided that the invitation to the first meeting states that the second meeting may be held. In all cases, the second meeting shall be valid if attended by shareholders representing at least (quarter) of the Company's shares carrying voting rights. If the quorum required to hold the second meeting is not met, an invitation shall be issued for a third meeting, which shall be valid regardless of the number of shares carrying voting rights represented therein.

Pursuant to Article (93) of the Companies Law, the resolution of the Extraordinary General Assembly to reduce the Company's capital shall be issued with the approval of (three-quarters) of the voting rights represented at the meeting.

If the Company's shareholders approve the Capital Reduction, the Capital Reduction resolution will be effective with respect to all Company shareholders who own shares at the end of trading on the date of the Extraordinary General Assembly Meeting relating to the Capital Reduction and who are registered in the Company's shareholder register maintained by the Securities Depository Center Company (Edaa) at the end of the second trading day following the date of the Extraordinary General Assembly Meeting relating to the Capital Reduction. This includes shareholders who did not attend the Extraordinary General Assembly Meeting, as well as shareholders who attended the meeting but did not vote or voted against the Capital Reduction resolution.

22. Auditor's Report

The Company appointed Yasser Zoman Al Zoman, Khalid Fawzan AL Fahad and Zaher Abdullah AL Hajjaj Company for Professional Consulting to prepare the Limited Assurance Report on the Proposed Capital Reduction of the Company, which sets out the reasons for the Capital Reduction and the impact of such reduction on the Company's liabilities and shareholders' equity, in order to obtain the approval of the Capital Market Authority for the Capital Reduction application (for further details, please refer to the Limited Assurance Report on the Proposed Capital Reduction of the Company attached to this Circular).

Pursuant to Article One Hundred and Thirty-Four of the Companies Law issued by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), which came into force on 26/06/1444H (corresponding to 19/01/2023G), and any amendments thereto, the Capital Reduction resolution may only be issued after a special report prepared by the Auditor has been read, setting out the reasons necessitating the reduction, the Company's liabilities and the impact of the reduction on such liabilities.

A copy of the Limited Assurance Report on the Proposed Capital Reduction of the Company, prepared by the Auditor, was included in the announcement of the invitation to convene this Extraordinary General Assembly on the Saudi Exchange (Saudi Tadawul) website on **/**/1448H (corresponding to **/**/2026G).

23. Documents Available for Inspection

The Shareholders' Circular will be published and made available to the public for a period of no less than (14) business days before the Extraordinary General Assembly Meeting relating to the Company's Capital Reduction.

The Company will make the following documents available for inspection at the Company's head office in Riyadh, Al Akaria "Al Sittin" Building - Salah Al-Din Al-Ayyubi Road, Al-Zahra District - P.O. Box 2305, Postal Code 12812, Kingdom of Saudi Arabia, from the date of the Capital Market Authority's approval on 25/03/1448H (corresponding to 07/09/2026G) until the date of the Extraordinary General Assembly Meeting on **/**/1448H (corresponding to **/**/2026G), during official working hours from 8 a.m. to 4:30 p.m:

- A copy of the recommendation of the Company's Board of Directors to reduce the Company's capital.
- A copy of the Financial Advisor's appointment letter.
- A copy of the Limited Assurance Report on the Proposed Capital Reduction of the Company.
- A copy of the Authority's announcement approving the Company's Capital Reduction application, as published on the websites of the Capital Market Authority and the Saudi Exchange (Saudi Tadawul).
- A copy of this Shareholders' Circular (the presentation submitted to the Company's shareholders at the Extraordinary General Assembly Meeting).

24. Attachments

- A copy of the Limited Assurance Report on the Proposed Capital Reduction of the Company.
- Proxy Form for Attending the Extraordinary General Assembly Meeting.

LIMITED ASSURANCE REPORT ON THE REDUCTION OF SHARE CAPITAL

To the Shareholders of Saudi Vitrified Clay Pipes Company
A Saudi Joint Stock Company

We have performed a limited assurance engagement to report whether anything has come to our attention that causes us to believe that the matter described in the "Subject Matter" paragraph below (the "Subject Matter") has not been reported and fairly presented, in all material respects, in accordance with the relevant criteria (the "Criteria") referred to below.

Subject Matter
The subject matter of the limited assurance engagement relates to the attached management report of Saudi Vitrified Clay Pipes Company (the "Company") on the reasons for the proposed reduction of the Company's share capital, as recommended by the Company's Board of Directors to the Extraordinary General Assembly, and the effect of such reduction on the Company's net assets.

At its meeting held on 30 Safar 1448H (corresponding to 13 August 2026), the Board of Directors recommended reducing the Company's share capital from ⃁ 150,000,000 to ⃁ 45,428,750, representing a reduction of approximately 69.71% of the share capital, through the cancellation of 10,457,125 ordinary shares from the Company's issued shares, with a nominal value of ⃁ 10 per share. The reduction is intended to eliminate ⃁ 104,571,250 of the Company's accumulated losses, resulting in accumulated losses of ⃁ 9 after the reduction, as presented in the unaudited condensed consolidated interim financial statements for the three-month and six-month periods ended 30 June 2026.

Relevant Criteria
• Articles of the Companies Law issued by the Ministry of Commerce: Article (132) – Company Losses; Article (133) – Methods of Reducing Share Capital; and Article (134) – Issuance of the Resolution to Reduce Share Capital.
• Article (61) of Chapter Two (Part Six) of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.
• Article (11) of the Company's Articles of Association.

Management's Responsibility
The Company's management is responsible for the preparation and fair presentation of the information included in the Subject Matter paragraph above in accordance with the relevant Criteria, and is also responsible for selecting the methods used to apply those Criteria. Management is also responsible for implementing such internal controls as it determines necessary to enable the preparation and presentation of the information included in the Subject Matter paragraph above so that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records; and making reasonable estimates in light of the relevant circumstances and events.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Subject Matter described above based on the assurance engagement we performed in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information," as endorsed in the Kingdom of Saudi Arabia, and the terms and conditions relating to this engagement agreed with the Company's management.

Our procedures were designed to obtain a limited level of assurance sufficient to provide a basis for our conclusion. Accordingly, we did not obtain all the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on our professional judgment, including the assessment of the risks of material misstatement of the Subject Matter, whether due to fraud or error. We also considered the effectiveness of internal controls in determining the nature and extent of our procedures; however, our engagement was not designed to provide assurance on the effectiveness of those controls.

Independence and Quality Management
We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the International Code), as endorsed by the Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia.

شركة ياسر زومان الزومان وخالد فوزان الفهد وزاهر عبدالله الحجاج
للاستشارات المهنية
مساهمة مهنية رأس مال 2,000,000,00
رقم الوطني الموحد : 7009418612
اشتراك الغرفة التجارية : 355471
info@ay-cpa.sa www.ay-cpa.sa
الرياض - الدمام - جدة
0114180404 9200 18802
RAYC3728 - الرياض - حي الياسمين - طريق انس بن مالك - مجمع الصامل التجاري - الدور الثاني - مكتب رقم 1
RAYC3728 - Riyadh - Al Yasmeen Dist., - Anas Bin Malik Rd - Al Samel Complex - 2nd Fl - Office No.1

LIMITED ASSURANCE REPORT ON THE REDUCTION OF SHARE CAPITAL (CONTINUED)

To the Shareholders of Saudi Vitrified Clay Pipes Company
A Saudi Joint Stock Company

Independence and Quality Management (continued)

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, as endorsed by the Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia. Accordingly, the firm maintains a comprehensive system of quality management that includes documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Summary of Procedures Performed
The procedures performed in a limited assurance engagement vary in nature and timing from, and are less extensive than, those performed in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures included, but were not limited to, the following:

- Reviewing the Board of Directors' resolution dated 30 Safar 1448H (corresponding to 13 August 2026), in which the Board resolved to recommend to the Extraordinary General Assembly the reduction of the share capital from ⃁ 150,000,000 to ⃁ 45,428,750, representing a reduction of approximately 69.71%.
- Obtaining the attached information provided by the Company's management, entitled "Management Report on the Proposed Share Capital Reduction," which sets out the reasons supporting the share capital reduction and the effect of such reduction on the Company's obligations.
- Reviewing Articles (132), (133) and (134) of the Companies Law issued by the Ministry of Commerce; Article (61) of Chapter Two (Part Six) of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority; and Article (11) of the Company's Articles of Association.

Limited Assurance Conclusion
Based on the limited assurance procedures we performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information disclosed in the Subject Matter paragraph above and presented in the attached statement has not been reported and fairly presented, in all material respects, in accordance with the relevant Criteria.

Restriction on Use
This report has been prepared solely at the request of the Company's management to assist the Company in fulfilling its reporting obligations to the Extraordinary General Assembly under the relevant Criteria. This report may not be used for any other purpose, distributed to any parties other than the Ministry of Commerce and the Capital Market Authority, quoted from, or referred to without our prior consent.

For Alzoman, Alfahad & Alhajjaj Professional Services

Zaher Abdullah Alhajjaj
Certified Public Accountant
License No. (562)

شركة الزومان والفهد والحجاج للاستشارات المهنية
Alzoman, Alfahad & Alhajjaj Professional Services
CR 1010461402

Riyadh, Kingdom of Saudi Arabia

Riyadh: 5 Rabi' Al-Awwal 1448H
Corresponding to: 18 August 2026

شركة ياسر زومان الزومان وخالد فوزان الفهد وزاهر عبدالله الحجاج
للاستشارات المهنية
مساهمة مهنية رأس مال 2,000,000,00
رقم الوطني الموحد : 7009418612
اشتراك الغرفة التجارية : 355471
info@ay-cpa.sa www.ay-cpa.sa
الرياض - الدمام - جدة
0114180404 9200 18802
الرياض - حي الياسمين - طريق انس بن مالك - مجمع الصامل التجاري - الدور الثاني - مكتب رقم 1 - RAYC3728
RAYC3728 - Riyadh - Al Yasmeen Dist., - Anas Bin Malik Rd - Al Samel Complex - 2nd Fl - Office No.1

Saudi Vitrified Clay Pipes Company

A Saudi Joint Stock Company

Management Report of the Company on the Proposed Reduction of Share Capital

Page	**Table of Contents**

1- Reasons for the Proposed Reduction of Share Capital and the Effect of the Reduction on the Company's Obligations

1/1 Reasons that Make the Reduction Necessary:

The Company's share capital is being restructured by reducing it by an amount of ⃁ 104,571,250, through the cancellation of 10,457,125 shares, due to the accumulated losses reaching approximately 69.71% of the share capital, and in order to write off the accumulated losses balance so that the balance after the reduction becomes ⃁ 9, based on the unaudited condensed consolidated interim financial statements for the three-month and six-month periods ended 30 June 2026 and as of that date. There is no material effect from the reduction of the Company's share capital on the Company's obligations, its operations, or its financial, operational or regulatory performance, and the reduction of the Company's share capital will not affect the market value of shareholders' portfolios. It should be noted that a shareholder who holds three shares or fewer in his portfolio will have his shares cancelled and will be compensated for the resulting fractional shares. The Company will aggregate any fractional shares (if any) resulting from the share capital reduction process into a single portfolio, which will then be sold in the market at the prevailing price, and the proceeds of the sale will then be distributed to the entitled shareholders, each according to his ownership therein, within thirty (30) days from the date of the shareholders' approval at the Extraordinary General Assembly of the reduction of the Company's share capital.

1/2 Relevant Criteria

1/2/1 The Company's Articles of Association

Article Eleven of the Company's Articles of Association on Reducing the Company's Share Capital:
The Extraordinary General Assembly may, by resolution, reduce the Company's share capital if it exceeds the Company's needs or if the Company has incurred losses, and it may, in the latter case only, reduce the share capital below the limit stipulated in the Companies Regulations. The resolution shall not be issued except after the Board of Directors has read out a statement setting out the reasons justifying the reduction and the effect of the reduction on the Company's obligations and its ability to fulfil those obligations, and a report from the Company's auditor shall be attached to this statement.

1/2/2 Companies Law issued by the Ministry of Commerce

Article One Hundred and Thirty-Two: Company Losses:
If the losses of a joint stock company reach (half) of its issued share capital, the Board of Directors must disclose this fact and the recommendations it has reached in this regard, within sixty (60) days of becoming aware that the losses have reached this amount, and must call the Extraordinary General Assembly to convene within one hundred and eighty (180) days from the date of becoming aware thereof, to consider the continuation of the Company, together with taking any measures necessary to address those losses, or its dissolution.

Article One Hundred and Thirty-Three: Methods of Reducing Share Capital:
The share capital shall be reduced by one of the following methods:

a. Cancelling a number of shares equal to the amount required to be reduced.
b. Reducing the nominal value of the share by cancelling a portion thereof equal to the loss incurred by the Company.
c. Reducing the nominal value of the share by returning part of it to the shareholder, or releasing him from all or part of the unpaid amount of the share's value.
d. The Company purchasing a number of its shares equal to the amount required to be reduced, and subsequently cancelling them.

Article One Hundred and Thirty-Four: Issuance of the Resolution to Reduce Share Capital:
The Extraordinary General Assembly may resolve to reduce the share capital if it exceeds the Company's needs or if the Company has incurred losses. It may, in the latter case only, reduce the share capital below the limit stated in Article (Fifty-Nine) of the Regulations. The resolution of reduction shall not be issued except after the Board of Directors has read out, at the General Assembly, a statement setting out the reasons justifying the reduction, the Company's obligations, and the effect of the reduction on fulfilling them, and a report from the Company's auditor shall be attached to this statement. It is permissible to suffice with presenting the aforementioned statement to the shareholders in cases where the General Assembly's resolution is issued by circulation (in writing).

1- Reasons for the Proposed Reduction of Share Capital and the Effect of the Reduction on the Company's Obligations (continued)

1/2 Relevant Criteria (continued)

1/2/3 Chapter Two (Part Six) of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority:

Article Sixty-One: Conditions and Requirements Relating to the Reduction of an Issuer's Share Capital:

a. An issuer wishing to reduce its share capital must submit a request to the Authority containing, at a minimum, the information set out in Appendix (25) of these Rules, in order to obtain the Authority's approval prior to obtaining the approval of the Extraordinary General Assembly on the reduction of the share capital, provided that the following is attached to the request:
   1- A letter of appointment of the financial advisor.
   2- A letter of appointment of the legal advisor (if any).
   3- A report from an external certified public accountant on the reasons for the reduction of the share capital and the effect of that reduction on the issuer's obligations.
   4- The proposed method for reducing the share capital and the expected effects of that reduction.
   5- A copy of the shareholders' circular referred to in paragraph (b) of this Article.
   6- Any other documents requested by the Authority.

b. The issuer must issue a circular to its shareholders containing the information necessary to enable the shareholders to vote at the Extraordinary General Assembly meeting on an informed and knowledgeable basis. The circular must contain, at a minimum, the following information:
   1- The general structure of the proposed reduction of share capital.
   2- The reasons for the reduction of the share capital, including the Board's discussion and analysis of this matter.
   3- The risk factors relating to the reduction of the share capital.
   4- The time frame for the process.
   5- A statement from members of the issuer's Board of Directors confirming their belief that the reduction of the share capital is in the interest of the issuer and the shareholders.

c. The shareholders' circular - which is submitted to the Authority in respect of the issuer's request to reduce its share capital - must be prepared in the Arabic language, and any change from previous drafts must be indicated in the margin of the circular, with a clarification of the relevant paragraphs stipulated in these Rules; each draft of the circular must include, on the first page, the draft number and the date of submission.

1- Reasons for the Proposed Reduction of Share Capital and the Effect of the Reduction on the Company's Obligations (continued):

1/3 Effect of the Reduction of Share Capital:

a) The effect on the share capital and accumulated losses, as presented in the unaudited condensed consolidated interim statement of financial position as at 30 June 2026, will be as follows:

	Before Reduction ⃁	**After Reduction** ⃁	**Effect** ⃁
Assets			
Non-current assets			
Property, plant and equipment	34,778,456	34,778,456	-
Capital work in progress	38,098,514	38,098,514	-
Intangible assets and goodwill	5,361,088	5,361,088	-
Right-of-use assets	7,511,773	7,511,773	-
Total non-current assets	**85,749,831**	**85,749,831**	**-**
Current assets			
Inventory, net	26,704,765	26,704,765	-
Trade receivables, net	22,259,388	22,259,388	-
Prepaid expenses and other assets	6,432,156	6,432,156	-
Cash and bank balances	985,644	985,644	-
Total current assets	**56,381,953**	**56,381,953**	**-**
Total assets	**142,131,784**	**142,131,784**	**-**
Equity and liabilities			
Equity			
Share capital	150,000,000	45,428,750	(104,571,250)
Accumulated losses	(104,571,259)	(9)	104,571,250
Total equity	**45,428,741**	**45,428,741**	**-**
Liabilities			
Non-current liabilities			
Lease liabilities	6,788,660	6,788,660	-
Employees' defined benefit obligations	12,217,803	12,217,803	-
Deferred government grants	2,060,815	2,060,815	-
Total non-current liabilities	**21,067,278**	**21,067,278**	**-**
Current liabilities			
Lease liabilities	1,114,214	1,114,214	-
Accrued expenses and other liabilities	10,631,390	10,631,390	-
Interest-bearing loans	30,692,676	30,692,676	-
Deferred government grants	78,757	78,757	-
Short-term Murabaha	9,085,593	9,085,593	-
Trade payables	20,545,772	20,545,772	-
Contract liabilities with customers	558,865	558,865	-
Zakat payable	2,928,498	2,928,498	-
Total current liabilities	**75,635,765**	**75,635,765**	**-**
Total liabilities	**96,703,043**	**96,703,043**	**-**
Total equity and liabilities	**142,131,784**	**142,131,784**	**-**

Seal for identification purposes

شركة الزومان والفهد والحجاج
للاستشارات المهنية
Alzoman, Alfahad & Alhajjaj
Professional Services
CR 1010461402

الشركة السعودية لانتاج الأنابيب الفخارية
Saudi Vitrified Clay Pipe Co.
EN ISO 9001:2015
SAUDI MADE
SVCP الفخارية

Proxy Form

Proxy Form	
Date: **Corresponding to:**	
I, the shareholder (...) (...................) nationality, with national with ID number (..) or residence permit or passport number for non-Saudis, issued by (...........................), in my (personal) capacity or as (an authorised signatory / manager / chairman of the board of directors of ....), and the owner of (...........................) shares of **Saudi Vitrified Clay Pipes Company** (a Saudi Joint Stock Company), registered in the Commercial Register in the city of Riyadh under number **(1010014993)** dated **8 / 3 / 1398H**, and pursuant to Article **(29)** of the Company's Bylaws, hereby authorise (...) to attend on my behalf the (...........................) Assembly meeting to be held at (..) in the city of **Riyadh**, Kingdom of Saudi Arabia, at (...................) on (...................) dated (....... / .... / .... H), corresponding to (....... / .... / .... G) to vote on my behalf on the agenda and to sign on my behalf on all resolutions and documents related to these meetings. This authorisation is valid for this meeting and any subsequent adjourned meeting.	
Full name of the person signing the proxy:	
Capacity of the person signing the proxy:	**National ID number of the person signing the proxy or residence permit (for non-Saudis) or its equivalent:**
Signature of the authorising shareholder:	

س.ت ١٠١٠٠١٤٩٩٣ رأس المال المدفوع ١٥٠,٠٠٠,٠٠٠ – ص.ب ٦٤١٥ – الرياض ١١٤٤٢ – رقم العضوية: ٨٠٠٢ – المملكة العربية السعودية
تليفون مكتب: ٤٧٦٩١٩٢ ١١ ٩٦٦+ فاكس: ٤٧٨٢٤٥٨ ١١ ٩٦٦+ – تليفون المصنع: ٤٩٨٠٧٧٢ ١١ ٩٦٦+ – فاكس: ٤٩٨٤٨١٥ ١١ ٩٦٦+
P.O.Box 6415 Riyadh 11442-Office Tel.: +966 11 4769192 - Fax: +966 11 4782458 - Factory Tel: +966 11 4980772- Fax: +966 11 4984815
E-mail: svcp@svcp-sa.com website: www.svcp-sa.com