



حديد وطني

WATANI STEEL

**WATANI IRON STEEL COMPANY  
(A Saudi Joint Stock Company)  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**WATANI IRON STEEL COMPANY**  
**(A Saudi Joint Stock Company)**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY  
A SAUDI JOINT STOCK COMPANY

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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### OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the WATANI IRON STEEL COMPANY (the "Company") as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

- The statement of financial position as at 31 December 2025;
- The statements of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended;
- The notes to the financial statements, comprising material accounting policy information and other explanatory information.

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### BASIS FOR OPINION

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

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### KEY AUDIT MATTERS

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

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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY  
A SAUDI JOINT STOCK COMPANY

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the key audit matter
<b>Revenue Recognition</b>	
<p>With reference to the accounting policy related to revenue recognition, the Company's revenues for the year ended 31 December 2025 amounted to 428,694,801 SR (2024: 553,305,344 SR).</p> <p>Revenues are one of the essential indicators for measuring performance, and as a result there are inherent risks in the revenue recognition process, by recognizing revenues at more than their value.</p> <p>Revenue is recognized when goods are delivered to customers.</p> <p>As a result of the essential risks related to the revenue recognition process, and the importance of the value of revenues, revenue recognition was considered a key audit matter.</p> <p>The accounting policy for revenue recognition is explained in Note No. (3-16) and the details of revenue are presented in Note No. (18), in the attached financial statements.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Evaluate the appropriateness of the company's revenue recognition policy Based on International Financial Reporting Standard No. (15) "Revenues of contracts with customers";</li> <li>• Evaluate the design and implementation of the internal control systems related to Management procedures over revenue recognition;</li> <li>• Cut-off procedures to verify that revenue is recorded in the correct periods;</li> <li>• Test of details for a sample of revenue transactions and compared them with supporting documents to verify the accuracy of the recorded revenue;</li> <li>• Executing analytical procedures, by obtaining an analysis of sales according to the quantities sold and selling prices to judge the reasonableness of the amount of revenue included in the accompanying financial statements;</li> <li>• We evaluated the adequacy of the disclosures used in the financial statements related to the revenue item;</li> <li>• We inquired from management representatives about their knowledge of fraud risks, and whether there were actual cases of fraud.</li> </ul>

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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY  
A SAUDI JOINT STOCK COMPANY

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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### OTHER INFORMATION

Other information consists of the information included in the Company's 2025 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

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### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY  
A SAUDI JOINT STOCK COMPANY

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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## INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF WATANI IRON STEEL COMPANY  
A SAUDI JOINT STOCK COMPANY**

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### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

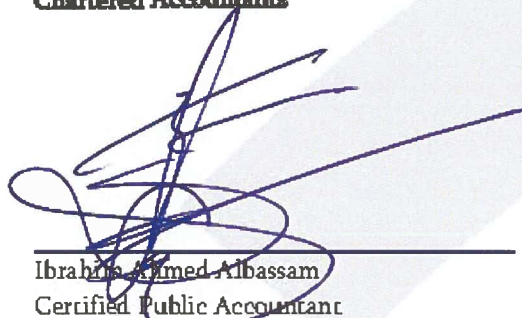
#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

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

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

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

**PKF Al-Bassam**  
Chartered Accountants



Ibrahim Ahmed Albassam  
Certified Public Accountant  
License No. 337  
Riyadh - Kingdom of Saudi Arabia  
23 Ramadhan 1447H  
Corresponding to: 12 March 2026



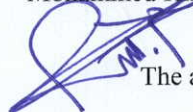
**WATANI IRON STEEL COMPANY**  
**(A Saudi Joint Stock Company)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2025**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Note	2025	2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	249,562,811	255,900,168
Intangible assets	6	25,944,262	25,944,262
Capital works in progress	7	-	6,881,225
<b>Total non-current assets</b>		<b>275,507,073</b>	<b>288,725,655</b>
<b>Current assets</b>			
Inventory	8	71,318,674	64,818,666
Trade receivables	9	4,962,182	2,680,650
Prepayments and other debit balances	10	3,883,991	1,758,269
Cash and cash equivalent	11	18,895,422	12,058,909
<b>Total current assets</b>		<b>99,060,269</b>	<b>81,316,494</b>
<b>Total assets</b>		<b>374,567,342</b>	<b>370,042,149</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	181,650,000	181,650,000
Statutory reserve		18,235,056	18,235,056
Actuarial reserve		(407,290)	(67,504)
Retained earnings		36,670,333	51,538,221
<b>Total equity</b>		<b>236,148,099</b>	<b>251,355,773</b>
<b>LIABILITY</b>			
<b>Non-current liabilities</b>			
Employees' end-of-service benefits	14-2	9,899,268	8,242,884
<b>Total non-current liabilities</b>		<b>9,899,268</b>	<b>8,242,884</b>
<b>Current liabilities</b>			
Short-term borrowings	13	71,146,092	64,158,681
Trade payables		47,702,286	37,029,918
Accrued expense and other credit balances	15	9,671,597	8,993,065
Provision for Zakat	17-3	-	261,828
<b>Total current liabilities</b>		<b>128,519,975</b>	<b>110,443,492</b>
<b>Total liabilities</b>		<b>138,419,243</b>	<b>118,686,376</b>
<b>Total equity and liabilities</b>		<b>374,567,342</b>	<b>370,042,149</b>

Capital commitments and contingent liabilities and assets 24

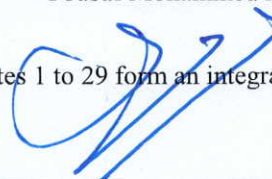
**Financial Manager**

Mohammed Hamdi Ahmed



**Executive Manager**

Yousuf Mohammed Al Tarif



**Board of Directors Chairman**

Mishal Abdulakarim Al Rajhi



The accompanying notes 1 to 29 form an integral part of these financial statements.

**Watani Iron Steel Company**  
(A Saudi Joint Stock Company)  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2025**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2025	2024
Revenue	18	428,694,801	553,305,344
Cost of revenue	19	(420,592,700)	(519,626,248)
<b>Gross profit</b>		<b>8,102,101</b>	<b>33,679,096</b>
Selling and marketing expenses	20	(1,620,195)	(1,827,733)
General and administrative expenses	21	(14,116,493)	(14,749,360)
Provision of impairment in trade receivables	9	(2,680,650)	(1,340,325)
<b>Operating (loss) / profit</b>		<b>(10,315,237)</b>	<b>15,761,678</b>
Finance cost	22	(6,264,794)	(6,687,771)
Other income	23	1,712,143	1,055,826
<b>Net (loss) / profit for the year before zakat</b>		<b>(14,867,888)</b>	<b>10,129,733</b>
Zakat	17-2	-	(261,828)
<b>Net (loss) / profit for the year</b>		<b>(14,867,888)</b>	<b>9,867,905</b>
<b><u>Items of other comprehensive income:</u></b>			
<b>Items that will not be reclassified subsequently to the statement of profit or loss:</b>			
Actuarial loss for employees' end-of-service benefits	14-2	(339,786)	(951,522)
<b>Total comprehensive (loss) / income for the year</b>		<b>(15,207,674)</b>	<b>8,916,383</b>
<b>Earnings per share:</b>			
<b>Basic and diluted (loss) / earnings per share from net (loss) / income for the year</b>	25	<b>(0.08)</b>	<b>0.05</b>

Financial Manager

Mohammed Hamdi Ahmed



Executive Manager

Yousuf Mohammed Al Tarif



Board of Directors Chairman

Mishal Abdulakarim Al Rajhi



The accompanying notes 1 to 29 form an integral part of these financial statements

**Watani Iron Steel Company**

(A Saudi Joint Stock Company)

**Statement of Changes in Equity****For the year ended 31 December 2025**

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Actuarial reserve</u>	<u>Retained earnings</u>	<u>Total Equity</u>
<b>Balance at 1 January 2024</b>		181,650,000	18,235,056	884,018	41,670,316	242,439,390
Net profit for the year		-	-	-	9,867,905	9,867,905
Total other comprehensive loss for the year	<b>14-2</b>	-	-	(951,522)	-	(951,522)
<b>Balance at 31 December 2024</b>		181,650,000	18,235,056	(67,504)	51,538,221	251,355,773
Net loss for the year		-	-	-	(14,867,888)	(14,867,888)
Total other comprehensive loss for the year	<b>14-2</b>	-	-	(339,786)	-	(339,786)
<b>Balance at 31 December 2025</b>		<b>181,650,000</b>	<b>18,235,056</b>	<b>(407,290)</b>	<b>36,670,333</b>	<b>236,148,099</b>

**Financial Manager**

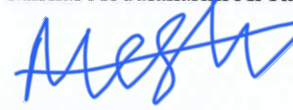
Mohammed Hamdi Ahmed

**Executive Manager**

Yousuf Mohammed Al Tarif

**Board of Directors Chairman**

Mishal Abdulakarim Al Rajhi



The accompanying notes 1 to 29 form an integral part of these financial statements

**Watani Iron Steel Company**  
(A Saudi Joint Stock Company)

**Statement of Cash Flows**

**For the year ended 31 December 2025**

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2025	2024
<b>Cash flows from operating activities</b>			
Net (loss) / profit for the year before Zakat		(14,867,888)	10,129,733
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	5	16,542,615	20,839,644
Gain from disposal of property, plant and equipment	23	(39,998)	(5,164)
Provision of impairment in trade receivables	9	2,680,650	1,340,325
Adjustments resulting from Zakat assessment	17-3	485	9,922
Zakat Adjustment	17-3	(6,768)	-
Finance cost	22	6,264,794	6,687,771
Current service cost for employees' end-of-service	14-2	1,058,595	1,357,657
		<u>11,632,485</u>	<u>40,359,888</u>
<b>Changes in:</b>			
Inventory		(6,500,008)	(1,277,129)
Trade receivables		(4,962,182)	(4,020,975)
Prepayments and other debit balances		(2,125,722)	2,525,888
Trade payables		10,672,368	4,253,847
Accrued expenses and other credit balances		678,532	2,057,870
<b>Cash generated from operating activities</b>		<u>9,395,473</u>	<u>43,899,389</u>
Employees' end-of-service benefits paid	14-2	(170,279)	(454,388)
Zakat paid	17-3	(255,545)	(143,528)
<b>Net cash generated from operating activities</b>		<u>8,969,649</u>	<u>43,301,473</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	5	(3,010,535)	(2,848,417)
Additions to capital works in progress	7	(313,500)	(4,507,201)
Proceed from the sales of property, plant and equipment		40,000	10,000
<b>Net cash used in investing activities</b>		<u>(3,284,035)</u>	<u>(7,345,618)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings	13	242,000,000	216,000,000
Repayment of short-term borrowings	13	(236,158,681)	(244,156,636)
Finance cost paid		(4,690,420)	(5,249,717)
<b>Net cash generated from / (used in) financing activities</b>		<u>1,150,899</u>	<u>(33,406,353)</u>
<b>Net change in cash and cash equivalents</b>		<u>6,836,513</u>	<u>2,549,502</u>
Cash and cash equivalents at the beginning of the year		<u>12,058,909</u>	<u>9,509,407</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<u>18,895,422</u>	<u>12,058,909</u>
<b>Non-cash transactions</b>			
Transfers from Capital works in process to property, plant, and equipment	5,7	7,194,725	-

**Financial Manager**

Mohammed Hamdi Ahmed

**Executive Manager**

Yousuf Mohammed Al Tarif

**Board of Directors Chairman**

Mishal Abdulakarim Al Rajhi

The accompanying notes 1 to 29 form an integral part of these financial statements

## **Watani Iron Steel Company**

(A Saudi Joint Stock Company)

### **Notes to the Financial Statements**

**For the year ended 31 December 2025**

(All amounts in Saudi Riyals unless otherwise stated)

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#### **1. LEGAL STATUS AND OPERATIONS**

Watani Iron Steel Company (“The Company”) is a Saudi joint stock company. The Company initially commenced trading as limited liability on 23/8/1429H corresponding to 24/8/2008 and operates under the Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No, 1010255409 issued in Riyadh.

The company also operates under an industrial facility license issued by the Ministry of Industry and Mineral Resources entity no. 331389 with decision No. (451110133264) dated 25/6/1445H (corresponding to 7/1/2024). The activities of the company are represented in the manufacture of primary iron products in the form of blocks of substrates and waste after being melted, as well as the manufacture of sheets plates, strip coils, bar bars, wire corners, and clips of all shapes. The activities of the company, as stated in the By- Laws , are represented in practicing and implementing manufacturing industries.

On 17/11/1444H (corresponding to 6/6/2023), the extraordinary general assembly approved increasing the company’s capital to 181,650,000 Saudi riyals divided into 18,165,000 shares by capitalizing 60,550,000 Saudi riyals from retained earnings by granting one share for every two shares owned.

On 3/23/1445H (corresponding to 10/8/2023), the extraordinary general assembly agreed to split the nominal value of the company’s shares so that the nominal value of the share after the amendment became one Saudi riyal.

The company's capital at the date of the accompanying financial statements amounts to 181,650,000 SR, divided into 181,650,000 ordinary shares, the nominal value of each share being 1 SR.

The Company’s Head Office is located at Al Hyt District, Al Kharj Old Street, P.O. Box 355355, Riyadh 11383, Kingdom of Saudi Arabia.

The financial statements included the company's accounts and the following branch accounts:

<b>Branch</b>	<b>CR Number</b>	<b>Date</b>	<b>City</b>
Watani Iron Steel Company	1010909080	16 Muharram 1445H	Riyadh

#### **2. BASIS OF PREPARATION**

##### **2-1. Statement of compliance**

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

##### **2-2. Measurement basis**

These financial statements have been prepared in accordance with the historical cost principle, except for recognizing employees end-of-service benefits at the present value of future obligations using the projected unit credit method.

##### **2.3. Presentation and Functional currency**

These financial statements are presented in Saudi Riyal (“SR”), which is the Company’s functional and presentation currency and all values are rounded to the nearest SR, except when otherwise indicated.

## Watani Iron Steel Company

(A Saudi Joint Stock Company)

### Notes to the Financial Statements

For the year ended 31 December 2025

(All amounts in Saudi Riyals unless otherwise stated)

## 2. BASIS OF PREPARATION (continued)

### 2.4 New standards, amendments to standards and interpretations

#### 2.4.1 New and amended IFRS standards issued and effective in the year 2025

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after January 1, 2025 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 21	Lack of Exchangeability	1 January 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.

#### 2.4.2 New and amended IFRS Standards issued but not yet effective

The Company has not applied the following new and revised IFRS Standards and amendments to IFRS that have been issued but are not yet effective:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026	The amendments clarify the recognition and derecognition of financial assets and financial liabilities, including settlement date accounting for certain electronic payment systems. They also provide additional guidance on assessing contractual cash flow characteristics of financial assets, including contingent cash flows arising from environmental, social and governance (ESG)-linked features. The amendments also introduce new and updated disclosure requirements in IFRS 7
IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026	These amendments modify the 'own use' requirements and hedge accounting provisions in IFRS 9 for contracts that expose entities to variability in electricity prices due to uncontrollable natural conditions such as weather. Targeted disclosure requirements are introduced in IFRS 7.
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	IFRS 18 replaces IAS 1 and establishes a new framework for the presentation and disclosure of financial statements. The standard introduces new categories for income and expenses (operating, investing and financing) and requires presentation of new subtotals, including operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation, introduces disclosure requirements for management-defined performance measures, and removes classification options for interest and dividends in the statement of cash flows.
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	IFRS 18 replaces IAS 1 and establishes a new framework for the presentation and disclosure of financial statements. The standard introduces new categories for income and expenses (operating, investing and financing) and requires presentation of new subtotals, including operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation, introduces disclosure requirements for management-defined performance measures, and removes classification options for interest and dividends in the statement of cash flows.

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

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#### **3. Significant accounting policies**

The Company has applied the following accounting policies consistently to all periods presented in these financial statements, unless otherwise stated. Below is a summary of the accounting policies applied by the company:

##### **3-1 Classification of assets and liabilities as current and non-current**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

- (a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;
- (b) it holds the asset primarily for the purpose of trading;
- (c) it expects to realise the asset within twelve months after the reporting date; or
- (d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

- (a) it expects to settle the liability in the entity's normal operating cycle;
- (b) it holds the liability primarily for the purpose of trading;
- (c) the liability is due to be settled within twelve months after the reporting date;
- (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classifies all other liabilities as non-current.

##### **3-2 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability will take place either:

- In the principal market for the asset or liability, or
- In the most advantageous market for the asset or liability in the absence of a principal market.

The principal or most advantageous market must be accessible by the Company. The fair value of an asset or liability is measured using the assumptions that market participants use when pricing the asset or liability, assuming that market participants act in their best economic interests .

The fair value measurement of a non-financial asset considers the ability of market participants to provide economic benefits by using the asset for the best benefit, or by selling it to another market participant for the best benefit.

The Company uses valuation techniques that are appropriate to circumstances and conditions and have sufficient data to measure fair value, maximize the use of relevant observable inputs, and minimize the use of unobservable inputs substantially.

All assets and liabilities whose fair values are measured or disclosed at their fair values in the financial statements are categorized within the fair value hierarchy set out below based on the lowest level inputs that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2: valuation techniques in which the lowest level of significant inputs is used for the fair value measurement and can be observable either directly (i.e., prices) or indirectly (i.e., derived from prices).

Level 3: valuation techniques in which the lowest level inputs are used for the fair value measurement.

(Unobservable inputs).

For assets and liabilities recognized in the financial statements at fair value on an ongoing basis, the Company determines whether transfers have taken place between levels of the hierarchy above by reassessing categorization (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each reporting period. The Company sets out policies and procedures for both recurring fair value measurement and non-recurring fair value measurement.

At each reporting date, The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset or liability with other external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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### **3. Significant accounting policies (continued)**

#### **3-3 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except for land and capital work-in-progress which are stated at cost and are not depreciated.

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the company and the amount can be measured reliably.

Finance costs on borrowings to finance the construction of a asset, if any, are capitalized over the period of time required to complete and prepare the qualifying asset for use.

When the major components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred.

As follows the estimated depreciation rates of assets that will be depreciated:

<u>Description</u>	<u>Years</u>
Building and installations	From 30 to 45
Machine and equipment	From 15 to 45
Computers	4
Vehicles	4
Tools and Instruments	From 5 to 7
Furniture and Fixtures	From 4 to 7

#### **3-4 Capital works in process**

Assets under construction or development are capitalized in capital works in process, then the cost of assets under construction or development is transferred to the appropriate category of property and equipment or intangible assets (depending on the nature of the project), upon bringing the asset to the site and/or the condition necessary to be able to operate in the manner intended by Management. The expenditures of capital works in process includes the acquisition price, the cost of construction / development and any other costs directly attributable to capital works originated or acquired under management's consideration. The expenditures associated with testing capital works in process items (before they are ready to use) are capitalized net of proceeds from the sale of any production during the test period. Capital works in process are not depreciated or amortized.

#### **3-5 Intangible assets**

The intangible asset is initially recognized at cost equal to the fair value of the consideration paid at the time the asset was acquired.

An intangible asset with an indefinite useful life is not amortised, but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is included in profit or loss and other comprehensive income.

A summary of the policies applied to the Company's intangible asset is, as follows:

	Concession right
Useful lives	Indefinite useful life
Amortisation module	Not amortised
Internally generated or acquired	Internally Generated

The company has entered into an agreement with Saudi Electricity Company at 20 October 2010 to deliver electrical service with a capacity of 38 KV ampere in order to feed the factory and the company has incurred the cost of delivery of the electricity and also incurred licenses to use the electricity station. The station is build on the Watani Iron Steel Company's land and it is handover to Saudi Electricity Company for operation, and its mission is to deliver power continuously to the factory. Watani Iron Steel Company is an operator and must recognize the station as intangible assets.

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### **3. Significant accounting policies (continued)**

#### **3-6 Impairment of non-financial assets**

At each reporting date, the non-financial assets are reviewed to determine whether there is an indication that those assets have incurred an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of similar assets), is estimated and compared to its carrying amount. If the estimated recoverable amount is less the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is greater than its fair value less costs of disposal and value in use.

The recoverable amount is sensitive to the discount rate used for the (discounted cash flow) model as well as expected future cash flows and the growth rate used for extrapolation purposes.

Similarly at each reporting date, inventory is assessed for any impairment by comparing the carrying amount of each inventory asset (or group of similar assets) to its selling price less costs to complete and sell. If there is a decrease on one of the inventory asset (or group of similar asset), its carrying amount is reduced to the selling price less the costs necessary to complete and sell, and the impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

When the impairment loss entry is subsequently reversed, the carrying amount of the assets (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and selling, in the case of inventory), provided that the carrying amount does not increase in excess of the carrying amount that would have been determined had no impairment loss been recognized for those assets for the previous year. The reversal of the impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

#### **3-7 Inventory**

Inventory consists of finished goods, work in process, raw materials, spare parts, and supplies. Inventory is measured at the lower of cost and net realizable value, with cost determined using the weighted average method. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

##### Work in process

Work in progress represents materials that have been partially completed through the production process. The cost of work in process includes the cost of raw materials, labor, and appropriate production overheads.

##### Spare parts

Spare parts inventory are the items that have been used to replace damaged equipments and tools. Spare parts costs include the purchase cost on weighted average basis

##### Raw materials

Raw material inventories are the materials that will be used in the production process to produce the finished goods. Raw material costs are the purchase cost of the materials measured using the weighted average method.

##### Finished Goods

Finished goods are the goods that have been completed from the production process but not yet sold to the customers. The finished goods are stated at cost or net realizable value whichever is lower. The cost is determined using the weighted average method.

The net realizable value consists of the estimated selling price during the normal course of business after deducting additional production costs for completion and selling and marketing expenses.

The company reviews the carrying value of the inventory regularly, and when needed, the stock is reduced to the net realizable value or provision for obsolete items is created if there is any change in the pattern of use and / or the physical shape of the related stock.

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### **3. Significant accounting policies (continued)**

#### **3-8 Cash and cash equivalents**

Cash and cash equivalents include cash in banks and bank deposits that mature after three months or less, if any. It also includes bank overdrafts that are an integral part of the company's cash management and are likely to fluctuate from overdraft to positive balances.

#### **3-9 Trade receivables**

Accounts receivable represent amounts due from customers for the sale of goods in the ordinary course of business and do not bear interest. If the credit exceeds normal credit terms, accounts receivable are measured at amortized cost using the effective interest method. The carrying amounts of accounts receivable and other receivables are reviewed at the end of each reporting period to determine whether there is any objective evidence that the amounts are not recoverable. In this case, an impairment loss is recognized immediately in the statement of profit or loss. The Company's standard credit terms for trade receivables range from 30 to 90 days. No interest is charged on overdue balances. The creditworthiness of customers is assessed periodically to manage credit risk.

#### **3-10 Equity reserves**

The share capital represents the nominal value of the shares that have been issued. Retained earnings include all current and prior period retained earnings. All transactions with the shareholders of the company are recorded separately within equity.

#### **3-11 Cash dividends and non-cash dividends to shareholders**

Cash or non-cash dividends to shareholders are recognized as liabilities upon approval of the distribution, and according to the Regulations for Companies in Kingdom of Saudi Arabia, dividends are approved when confirmed by the shareholders. Dividends are deducted immediately from equity and recognized as a liability.

#### **3-12 Borrowings**

Borrowings are initially recognized at fair value (as proceeds received), net of transaction costs, if any. long-term borrowings are subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of profit or loss over the borrowing term using the effective interest method. Fees paid on the facility are recognized as the borrowing costs to the extent that it is probable that the facility will be withdrawn partially or in full. In such case, the fees are deferred until the facility is withdrawn, capitalized in prepayments for liquidity services to the extent that there is no evidence the facility may be withdrawn partially or in full, and are amortized over the underlying facility term.

Borrowings are derecognized of the statement of financial position when the obligation is charged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognized or transferred to a third party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss within other income or finance costs.

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

##### **3.12.1 Borrowing costs**

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

Other borrowing costs are expensed for the year as incurred in the statement of profit or loss.

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### **3. Significant accounting policies (continued)**

#### **3.13 Employee benefits**

##### **3.13.1 Short-term obligations**

Liabilities for wages and salaries, including non-cash benefits, accumulated leave and travel tickets expected to be paid in full within 12 months after the end of the period in which the employees provide the related services, are recognized based on the services provided by the employees until the end of the reporting period of financial statements, and measured by amounts expected to be paid when the liabilities are settled. The liability is presented as current employee benefits obligation under accrued expenses in the statement of financial position.

##### **3.13.2 Long-term employee benefits and other related obligations**

The liability or asset is recognized in the statement of financial position in respect of defined benefits. The employee end-of-service benefits obligation is the present value of the defined benefits obligation in the reporting year, and the defined benefits obligation is calculated annually by independent actuaries using the projected unit credit method.

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

Defined benefit costs are categorized as follows:

##### Service Cost

Service costs include current service costs and past service costs which are recognized immediately in the consolidated statement of profit or loss.

Changes in the present value of the defined benefits obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as employee end-of-service benefit expense.

##### Interest Cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefits obligation. This cost is included in finance costs in the statement of profit or loss.

##### Re-Measurement Gains or Losses

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

#### **3.14 Zakat**

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in Kingdom of Saudi Arabia ("the Authority") and the zakat liability is recognized and charged to the statement of profit or loss for the current period. Additional zakat liabilities, if any, relating to the final assessments for prior years by the Authority are recognized in the period in which the final assessments are issued.

The Company is only qualified to pay zakat. And since the reversal of temporary differences, if any, is not expected to have any material impact on zakat amount in the foreseeable future, no deferred tax liability or asset has been recognized in these financial statements.

##### **3.14.1 Value added tax**

The expenses and assets are recognized net of VAT amount, except for:

- When the VAT incurred on the purchase of assets or services is not recoverable from the tax authorities, in this case VAT is recognized as part of the cost of purchasing the assets or expensed, if applicable, and/or
- When receivables and payables are stated including VAT amount

Net VAT recoverable from / or payable to the tax authorities is recorded as part of prepaid expenses and other current assets or accrued expenses and other current liabilities in the statement of financial position.

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### 3. Significant accounting policies (continued)

#### 3.15 Financial instruments

##### (1) Classification and measurement of financial assets and liabilities

On initial recognition, financial assets are classified as financial assets measured at amortized cost, or at fair value through comprehensive income (“FVOCI”) - debt investments, or at fair value through comprehensive income (“FVOCI”) - equity investments, or at fair value through profit or loss (“FVTPL”).

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

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

Investments in debt instruments are measured at Fair Value through Other Comprehensive Income (FVOCI) if they meet both of the following conditions and are not designated as Fair Value through Profit or Loss (FVTPL):

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

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

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit or loss. This includes all derivative financial assets. At initial recognition, the Company has the irrevocable option to designate financial assets that would otherwise meet the criteria for measurement at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss. If this option is exercised, it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets (unless they are accounts receivable without a significant financial component initially measured at the transaction price) are initially measured at fair value plus, for the item not measured at FVTPL, transaction costs that are directly attributable to their acquisition.

The following accounting policies are applied to the subsequent measurement of financial assets.

Financial assets carried at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.
Financial assets carried at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss is recognized in the statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Net other gains and losses are recognized in comprehensive income. On derecognition, gains and losses accumulated in comprehensive income are reclassified to the statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other gains and losses are recognized in the statement of other comprehensive income and are never reclassified to the statement of profit or loss.

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## **3. Significant accounting policies (continued)**

### **3.15 Financial instruments (continued)**

#### **(1) Classification and measurement of financial assets and liabilities (continued)**

##### **Disposal**

##### **Financial assets**

A financial asset (or part of a group of similar financial assets) is mainly derecognized (i.e., derecognized of the Company's statement of financial position) in the following cases:

- The rights to receive cash flows from the asset have been expired.
- The Company has transferred its rights to receive cash flows from the asset or assumed an obligation to pay cash flows received in full without delay to a third party under a "pass-through" arrangement; and (a) substantially transferred all the risks and rewards of the asset; or (b) transferred control over the asset and the Company has neither transferred nor retained substantially the risks and rewards of the financial asset.

##### **Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability is recognized at fair value based on the modified terms.

On derecognition of a financial liability, the difference between the carrying amount derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of profit or loss.

#### **(2) Impairment of financial assets**

The Financial assets measured at amortized cost comprise of accounts receivable and cash and cash equivalents. Loss allowances are measured based on lifetime ECL: these are credit losses that arise from all possible default events over the expected life of the financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit rating, including forward-looking information.

##### **ECL Measurement**

ECL is a probability-weighted estimate of credit losses. Under the simplified approach, Expected Credit Losses (ECL) are recognized at an amount equal to lifetime expected credit losses. ECL represent a probability-weighted estimate of credit losses.

##### **Credit-impaired financial assets**

The Company assesses at each reporting date whether financial assets carried at amortised cost and debt securities carried at fair value through comprehensive income are credit-impaired. A financial asset is assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

##### **Impairment Presentation**

Loss allowances on the financial assets measured at amortized cost are deducted from the carrying amount of the assets.

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### 3. Significant accounting policies (continued)

#### 3.15 Financial instruments (continued)

##### (2) Impairment of financial assets (continued)

#### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the writeoff. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of outstanding amounts.

#### Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a current legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

#### 3.16 Revenue recognition

Revenue is recognized at an amount that reflects the consideration that the entity expects to receive in exchange for transferring goods or services to customer. This is based on the principle that revenue is generated when a good is controlled or service is transferred to a customer. Revenue is measured at the fair value of the received or receivable, subject to contractually specified payment terms and excluding taxes or fees.

Revenue arrangements are evaluated based on specific criteria to determine whether the company is acting as principle or agent. The specific recognition criteria described below must be met before revenue is recognized. In the absence of specific criteria, the above policy will be applied, and the revenue is recorded as earned and accrual.

The Company recognizes revenue under IFRS 15 using the following five-steps model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for fulfilling each performance obligation.
Step 5: Revenue recognition	The Company recognizes revenue (or as) it fulfils a performance obligation by transferring a promised good or service to the customer under a contract.

#### Identify the contract with the customer

The Company performs a careful assessment of the terms and conditions of the contracts with its customers because the revenues are recognized only when the performance obligations of the contracts with the customers are fulfilled. Changes in the contract scope or price (or both) are considered a modification of the contract and the Company determines whether this change will be considered a new contract or as part of the current contract.

#### Identify the performance obligations

Once the Company identifies the contract with the customer, it evaluates the contractual terms and normal business practices to identify all contracted services and determine whether any of those contracted services (or a bundle of contracted services) will be treated as separate performance obligations.

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### **3. Significant accounting policies (continued)**

#### **3.16 Revenue recognition (continued)**

##### Determine the transaction price

The Company determines the transaction price as the amount of consideration it expects to be entitled in exchange for. This includes an estimate of any variable consideration and the impact of a significant financing component (i.e., the time value of money) and the fair value of any non-cash consideration and the impact of any consideration paid or payable to a customer (if any). The variable consideration is limited to the amount for which there is a high probability of no significant reversal in the amount of accrued revenue recognized when the uncertainty associated with the variable consideration is subsequently resolved.

Consideration is determined based on the transaction price agreed with the customers and there are no other promises in the contract with customers that are identified as separate performance obligations that must be allocated a portion of the transaction price. When determining the transaction price for the services, the Company took into account the impact of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any) and concluded that such consideration amounts are not included in the transaction price.

Contract modifications, such as change orders, are considered as part of the current contract, with cumulative adjustments to revenue. For substantial contract modifications, a separate contract may be recognized, based on the management's assessment of the following factors:

- The contract scope increases due to the addition of promised goods or services and can be distinguished themselves; and
- The contract price increases by the compensation that reflects the entity's standalone selling prices for the additional promised goods or services and any appropriate adjustments to that price to reflect the conditions of the contract.

There were no substantial modifications to the contracts during the year ended 31 December 2025.

##### Allocate the transaction price

When identifying the performance obligations and the transaction price, the transaction price is allocated to the performance obligations, which is usually proportionate to their standalone selling prices (i.e., on a relative standalone future selling price basis). When determining the standalone selling prices, the Company must use observable information, if any. If the standalone selling prices are not directly observable, the Company uses estimates based on reasonably available information.

##### Revenue recognition

The Company recognizes revenue in accordance with the terms and conditions contained in the contracts concluded with the customers to the extent that the performance obligations related to the contracts with customers are fulfilled by the Company by transferring control of a contracted service to the customer, which can be transferred over time period or at some point in time. When fulfilling a performance obligation over a time period, the Company determines the progress under the contract based on the input or output method, which works to measure the best completed performance to date. The specified method is applied consistently to similar performance obligations and in similar circumstances. The Company believes that it fulfills its performance obligations in its contracts with customers at some point in time, and therefore it recognizes revenue when it fulfills its obligations under its contracts with customers.

#### **Revenue from contracts with customers**

The company engages in the trade of rebar and billet iron. Revenues from contracts concluded with customers are recognized when control of the goods is transferred to the customer in an amount that reflects the compensation that the company is expected to be entitled to in exchange for those goods or services. The company has generally been found to act as principal in all of its revenue arrangements because it controls the goods or services before transferring them to the customer.

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### **3. Significant accounting policies (continued)**

#### **3.16 Revenue recognition (continued)**

##### **Sale of goods**

Revenue is income arising from the sale of goods in the ordinary course of the Company's activities, net of value added taxes, Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer and evidenced by a formal acknowledgment from the customer. Revenue from sale of goods is recorded at the fair value of consideration received or receivable, net of returns and allowances and trade discounts.

#### **3.17 Expenses**

##### Cost of revenue

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. This includes cost of goods sold, direct and indirect manufacturing expenses.

##### Selling and marketing expenses

Selling and marketing expenses consist of the salaries and wages of sales workers, shipping and transportation costs, and the costs of advertising and brochures.

##### General and administrative expenses

General and administrative expenses comprise of the costs that are not necessarily part of the marketing expenses, cost of revenues, finance costs or zakat expenses.

#### **3.18 Earnings per share**

##### Basic earnings / (losses) per share

Basic earnings per share is calculated by dividing:

- Profit / (loss) attributable to the shareholders of the Company, after deducting any equity service costs other than common stock by the weighted average number of common stock outstanding during the financial period.

##### Diluted earnings / (losses) per share

The figures used to determine the basic earnings / (losses) per share are adjusted for the diluted earnings per share, considering:

- The impact of interest after income tax and other finance costs associated with the dilution of potential common stock.
- The weighted average number of additional common stock that would have been outstanding assuming the conversion of all common stock is affected by the potential dilution.

#### **3.19 Foreign currency transactions and balances**

Foreign currency Transactions are translated into SAR using the exchange rate ruling on the date of the transactions. Foreign exchange gains and losses on these transactions adjustment and on the re-translation of monetary items denominated in foreign currency at the exchange rates ruling at year-end, are recognized in the consolidated statement of profit and loss and other comprehensive income.

Non-monetary items are not re-translated at year-end and are measured at historical cost (they are translated using the exchange rates ruling on the date of the transaction), except for non-monetary items measured at fair value, which are translated using the exchange rates ruling on the date when the fair value was determined.

#### **3.20 Provisions**

Provisions are recognized in the consolidated statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate, which reflects current market assessments of time value of money and liability-specific risks. In discounting, the increase in the provision is recognized as finance cost in the consolidated statement of profit or loss.

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### **3. Significant accounting policies (continued)**

#### **3.21 Contingent liabilities**

All possible liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence one or more uncertain future events that are not under the full control of the company, or all current obligations arising from past events but not established for the following reasons: (1) there is no possibility that an outflow of resources embedded in the economic benefits will be required to settle the obligation, or (2) the obligation amount cannot be measured sufficient reliability; they all must be evaluated at each statement of financial position and disclosed in the company financial statements as possible liabilities.

#### **3.22 Contingent assets**

Contingent assets typically arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity.

#### **3.23 Segment reports**

##### **Operational segment**

An operating segment is a component of a company that relates its activities from which it derives revenues and incurs expenses, including revenues and expenses related to transactions with any other components of the company.

There are no operational sectors in the company, as the company's main activity is the manufacture of reinforcing steel and primary iron products in the form of blocks of substrates and waste after re-melting.

##### **Geographical segment**

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in other economic environments.

There are no geographical sectors for the company, as all revenues generated from the company's activities are made within the Kingdom of Saudi Arabia, and therefore there are no geographical sectors to be disclosed.

#### **3.24 Climate-related matters**

The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the company due to both physical and transition risks. Climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments, such as new climate-related legislation.

The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Company considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.
- Impairment of non-financial assets. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Company's products. Even though the Company has concluded that no single climate-related assumption is a key assumption for 2024, the Company considered expectations for increased demand for goods sold by the Company and cost increases due to stricter recycling requirements in the cash-flow forecasts in assessing value-in-use amounts.

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#### **4. Significant accounting estimates and assumption**

In preparing these financial statements, management has used judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. A revision of accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the revision period and future periods if the revision affects both current and future periods.

##### **4.1 Significant judgments in applying the Company's accounting policies**

In applying the Company's accounting policies, management has made the following judgments, which have a significant impact on the amounts recognized in the financial statements.

###### **4.1.1 Going concern**

As of 31 December 2025, the Company's current liabilities exceeded its current assets by SAR 29,459,706 (31 December 2024: SAR 29,126,998), mainly due to short-term borrowings of SAR 71,146,092 as of 31 December 2025 (31 December 2024: SAR 64,158,681). Despite the working capital deficit, the Company has a positive operating cash flow of SAR 8,969,649 as of 31 December 2025 (31 December 2024: SAR 43,301,473), which indicates the Company's ability to meet its obligations as they fall due. Management also believes that it can obtain additional facilities if required. Accordingly, the financial statements have been prepared on a going concern basis.

###### **4.2 Assumptions and estimation uncertainties**

The estimates made by management in applying the Company's accounting policies that have a material impact on the amounts recognized in the financial statements are as follows:

###### **4.2.1 Expected future free cash flows**

The expected free cash flows are based on current expectations and specific objectives set for a five-year period. These are determined for CGUs in setting external objectives and expectations based on information and observations for the industry such as macroeconomic indicators and market circumstances. All assumptions used are challenged in setting objectives and expectations based on management's best estimates and expectations, which are subjective by nature. They include expectations for revenue growth and EBIT.

###### **4.2.2 Actuarial valuation of employee end-of-service benefits**

The present value of retirement obligations depends on several factors that are determined using actuarial valuations that use several assumptions. The assumptions used in determining the net cost (income) of retirement include the discount rate. Any change in these assumptions will have an impact on the carrying amount of retirement obligations.

The Company determines the appropriate discount rate at each year-end, which is the interest rate used to determine the present value of estimated future cash flows expected for settlement of end-of-service obligations. While determining the appropriate discount rate, the Company takes into account the interest rates on high-quality corporate bonds, provided that the bonds term is consistent with the estimated period for end-of-service benefits liabilities.

###### **4.2.3 Useful lives of property and equipment**

As described in Note (5), the Company estimates the useful lives of property and equipment at the end of each annual reporting period. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

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**4. Significant accounting estimates and assumption (continued)****4.2 Assumptions and estimation uncertainties (continued)****4.2.4 Provisions**

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

**4.2.5 Zakat and Tax provision**

The Company has assessed zakat and VAT status having regard to local zakat and tax legislation, decrees issued periodically and conventions. Interpretations of such legislation, decrees and conventions are not always clear and entail the completion of assessment by ZATCA.

**4.2.6 Provision for obsolete, slow-moving and damaged inventory**

Management estimates the net realizable value of inventories, taking into account the most reliable evidence at the time of using the estimates and making an allowance for obsolete inventory. These estimates take into account changes in demand for goods, technological changes, and price and quality fluctuations. Accordingly, the Company takes into account these factors to calculate the allowance for obsolete, and damaged inventory.

Spare parts are valued at cost or net realizable value, whichever is lower. The allowance for obsolete and obsolete inventory, if any, is estimated at each reporting date.

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**5. Property, plant and equipment****31 December 2025**

	<u>Lands</u>	<u>Buildings and installations</u>	<u>Machine and equipment</u>	<u>Computer</u>	<u>Vehicles</u>	<u>Tools and Instruments</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
<b><u>Cost:</u></b>								
Cost at 1 January 2025	17,434,558	44,871,926	359,486,909	1,453,056	2,112,514	742,601	1,877,857	427,979,421
Additions	-	-	2,023,450	129,476	646,514	74,411	136,684	3,010,535
Transfers from Capital works in process	-	7,194,725	-	-	-	-	-	7,194,725
Disposals	-	-	(368,080)	-	-	-	-	(368,080)
<b>Balance at 31 December 2025</b>	<b>17,434,558</b>	<b>52,066,651</b>	<b>361,142,279</b>	<b>1,582,532</b>	<b>2,759,028</b>	<b>817,012</b>	<b>2,014,541</b>	<b>437,816,601</b>
<b><u>Accumulated depreciation:</u></b>								
As at 1 January 2025	-	15,510,321	151,159,967	1,378,295	1,740,714	611,658	1,678,298	172,079,253
Depreciation for the year	-	1,693,895	14,332,314	47,316	287,153	69,065	112,872	16,542,615
Disposal	-	-	(368,078)	-	-	-	-	(368,078)
<b>Balance at 31 December 2025</b>	<b>-</b>	<b>17,204,216</b>	<b>165,124,203</b>	<b>1,425,611</b>	<b>2,027,867</b>	<b>680,723</b>	<b>1,791,170</b>	<b>188,253,790</b>
<b><u>Net book value as at:</u></b>								
<b>31 December 2025</b>	<b>17,434,558</b>	<b>34,862,435</b>	<b>196,018,076</b>	<b>156,921</b>	<b>731,161</b>	<b>136,289</b>	<b>223,371</b>	<b>249,562,811</b>

**Depreciation allocation as follows:**

	<u>2025</u>	<u>2024</u>
Cost of manufacturing (For production)	16,082,497	20,590,600
Selling and marketing expenses (note 20)	257,302	410
General and administrative expenses (note 21)	202,816	248,634
	<b>16,542,615</b>	<b>20,839,644</b>

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**5. Property, plant and equipment (continued)****31 December 2024**

	<b>Lands</b>	<b>Buildings and installations</b>	<b>Machine and equipment</b>	<b>Computer</b>	<b>Vehicles</b>	<b>Tools and Instruments</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
<b><u>Cost:</u></b>								
Cost at 1 January 2024	17,434,558	44,413,800	357,253,260	1,519,754	2,194,514	726,161	2,035,778	425,577,825
Additions	-	458,126	2,233,649	22,114	-	16,440	118,088	2,848,417
Disposals	-	-	-	(88,812)	(82,000)	-	(276,009)	(446,821)
<b>Balance at 31 December 2024</b>	<b>17,434,558</b>	<b>44,871,926</b>	<b>359,486,909</b>	<b>1,453,056</b>	<b>2,112,514</b>	<b>742,601</b>	<b>1,877,857</b>	<b>427,979,421</b>
<b><u>Accumulated depreciation:</u></b>								
As at 1 January 2024	-	13,317,352	132,944,159	1,426,573	1,583,661	541,396	1,868,453	151,681,594
Depreciation for the year	-	2,192,969	18,215,808	40,486	239,053	70,262	81,066	20,839,644
Disposal	-	-	-	(88,764)	(82,000)	-	(271,221)	(441,985)
<b>Balance at 31 December 2024</b>	<b>-</b>	<b>15,510,321</b>	<b>151,159,967</b>	<b>1,378,295</b>	<b>1,740,714</b>	<b>611,658</b>	<b>1,678,298</b>	<b>172,079,253</b>
<b><u>Net book value as at:</u></b>								
<b>31 December 2024</b>	<b>17,434,558</b>	<b>29,361,605</b>	<b>208,326,942</b>	<b>74,761</b>	<b>371,800</b>	<b>130,943</b>	<b>199,559</b>	<b>255,900,168</b>

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#### 5. Property, plant and equipment (continued)

The Company reviews the methods of depreciation, useful lives, and residual values of property, plant, and equipment periodically. During the second half of 2025, the Company assessed the useful lives, residual values, and expected economic benefits of major items of property, plant, and equipment with the assistance of an independent expert. Based on the results of this study, the estimated maximum useful life for the buildings and installations category was adjusted to 45 years according to the classification of each sub-asset within this category. Similarly, the estimated maximum useful life for the machinery and equipment category was adjusted to 45 years according to the sub-classification of each asset. Based on the change in the accounting estimate of the useful life, the depreciation expense for the current period decreased by (4,810,814) SAR. The expected future impact is estimated at (9,621,628) SAR annually for future periods, assuming the consistency of the current assets and the absence of any significant future additions or disposals. The useful lives of these assets were adjusted as follows:

Asset Category	Years Before Adjustment	Years After Adjustment
Buildings and Installations	20 to 24	30 to 45
Machinery and Equipment	5 to 20	15 to 45
Computer	4	4
Vehicles	4	4
Tools and Instruments	5 to 7	5 to 7
Furniture and Fixtures	4 to 7	4 to 7

#### 6. Intangible assets

	31 December 2025	31 December 2024
Electrical service delivery station*	25,908,637	25,908,637
Engineering design programs	35,625	35,625
	25,944,262	25,944,262

\* The intangible assets represented in the electrical service delivery station where the Company entered into an agreement with the Saudi Electricity Company on 12 Dhu al-Qi'dah 1431H corresponding to October 20, 2010, to deliver the electrical service to feed Watani iron and steel factory throughout the plant's lifetime.

There is no specific useful life for intangible assets, and accordingly, the company annually conducts a test to ensure that there is no impairment in the value of the asset, and this evaluation resulted in the absence of evidence of an impairment in the value of intangible assets.

#### 7. Capital works in progress

During the year 2025, the Company made additions to projects under construction amounting to SAR 313,500 (31 December 2024: SAR 4,507,201) related to a new branch of the Company's main register in Al-Masfaa District, Riyadh. This branch was established to conduct new business activities, including wholesale and retail of wooden, felting, and plastic products, as well as metal and iron blocks. During the second quarter of 2025, the projects under construction were completed, and the Construction of Buildings and Installations costs were capitalized within property, plant, and equipment (Buildings and Installations) of the Company amounting to SAR 7,194,725.

	31 December 2025	31 December 2024
Construction and industrial supplies	3,979,457	3,804,061
Construction and industrial works	2,504,333	2,428,529
Public Safety Systems	710,935	648,635
Transfer To Property and equipment and machinery (Note 5)	(7,194,725)	-
	-	6,881,225

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**7. Capital works in progress (continued)**

The movement of the Project in progress is as follows:

	<b>31 December 2025</b>	31 December 2024
Beginning of the year	<b>6,881,225</b>	2,374,024
Addition during the year	<b>313,500</b>	4,507,201
Transfer To Property and equipment and machinery (Note 5)	<b>(7,194,725)</b>	-
	<b>-</b>	<b>6,881,225</b>

**8. Inventory**

	<b>31 December 2025</b>	31 December 2024
Finished goods	<b>25,623,075</b>	25,317,580
Raw material	<b>15,793,376</b>	20,850,825
Spare parts and supplies	<b>17,704,533</b>	17,093,432
Work in process	<b>12,197,690</b>	1,556,829
	<b>71,318,674</b>	<b>64,818,666</b>

During the year 2025, an amount of SAR 340,396,398 (2024: SAR 432,332,451) was recognized as an expense for inventory recorded at net realizable value, representing consumed materials. This amount was recognized within cost of revenue (Note 20).

**9. Trade receivables**

	<b>31 December 2025</b>	31 December 2024
Trade receivables	<b>4,962,182</b>	4,020,975
Provision of impairment of trade receivables	-	(1,340,325)
	<b>4,962,182</b>	<b>2,680,650</b>

The movement of the impairment provision in trade receivables is as follows:

	<b>31 December 2025</b>	31 December 2024
Balance at the beginning of the year	<b>1,340,325</b>	-
Provision of impairment of trade receivables	<b>2,680,650</b>	1,340,325
Used during the year*	<b>(4,020,975)</b>	-
	<b>-</b>	<b>1,340,325</b>

\*On Ramadan 15, 1447H, corresponding to March 04, 2026, the Board of Directors issued a decision to write off the Trade receivable of the client "Green End Establishment" in the amount of 4,020,975 Saudi Riyals.

**10. Prepayments and other debit balances**

	<b>31 December 2025</b>	31 December 2024
VAT receivables	<b>1,752,104</b>	337,492
Prepaid insurance expenses	<b>931,774</b>	396,919
Advance to suppliers	<b>673,270</b>	482,546
Employees' advances	<b>247,293</b>	117,644
Prepaid subscriptions	<b>176,786</b>	199,106
Prepaid rent	<b>53,833</b>	200,667
Other	<b>48,931</b>	23,895
	<b>3,883,991</b>	<b>1,758,269</b>

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#### 11. Cash and cash equivalent

	31 December 2025	31 December 2024
Cash at banks	18,810,038	12,058,909
Cash in hand	85,384	-
	<u>18,895,422</u>	<u>12,058,909</u>

#### 12. Share Capital

The Company's authorized and paid-up share capital amounted to SAR 181.65 million as at 31 December 2025 (2024: SAR 181.65 million), divided into 181.65 million shares (2024: 181.65 million shares) with a nominal value of SAR 1 per share.

#### 13. Short-term borrowings

The Company has credit facilities with local banks with a total value of SAR 110.5 million, where the facility limits were rolled over during the year to SAR 242 million, and the outstanding balance is SAR 71.15 million as of December 31, 2025 (2024: SAR 64.16 million) with several local banks and financial institutions, including credit facilities in the form of deferred sale financing, financing of participation contracts, Murabaha and Tawarruq, documentary credit facilities, letters of guarantee and purchase of foreign currencies at variable Islamic Murabaha rates agreed upon with the banks.

Some of these loans contain bank covenants, and a breach of these covenants may lead to renegotiation with lenders. These covenants are monitored on a periodic basis by the administration. In the event of a possible breach or breach of these pledges, measures are taken by the administration to ensure the fulfillment of these covenants. There is a non-compliance with certain financial covenants, Failure to adhere to covenants has no impact on the company's financial statements. The company has operating cash flows amounting to 8,97 SAR Million during the year 2025 (2024: 43,3 SAR Million), which is an indication of the company's ability to fulfill its obligations when they are due.

The company provides guarantees for these credit facilities, represented by promissory note with a total amount of 117,2 million Saudi riyals. Following is the movement of short-term loans during the year:

	31 December 2025	31 December 2024
Balance at the beginning of the year	64,158,681	91,156,636
Proceeds during the year	242,000,000	216,000,000
Repayment during the year	(236,158,681)	(244,156,636)
Accrued finance cost	1,146,092	1,158,681
<b>Balance end of the year</b>	<u>71,146,092</u>	<u>64,158,681</u>

#### 14. Employees' end of service benefits

##### General description

The law provides for post-employment benefits for all employees who complete a qualifying period of service and are entitled to receive amounts mentioned under the labor law for each year of this service.

The annual provision is based on the actuarial valuation. The valuation was performed as of 31 December 2025, 31 December 2024 by an independent qualified actuary using the projected unit credit method.

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**14. Employees' end of service benefits (continued)**

**14.1 Key actuarial assumptions**

	<u>31 December 2025</u>	<u>31 December 2024</u>
	(percentage)	
Estimated rate of increase in employee salaries	2%	2%
Discount rate	4,82%	5,25%

**14.2 The movement in the present value of defined benefit obligations**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Present value at the beginning of the year	8,242,884	6,108,720
Current Service Cost	1,058,595	1,357,657
Interest Cost (note 22)	428,282	279,373
	1,486,877	1,637,030
Payments during the year	(170,279)	(454,388)
Actuarial loss through OCI	339,786	951,522
	<u>9,899,268</u>	<u>8,242,884</u>

The following is a statement of expected payments or contributions made to employees during future years:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Less than a year	603,885	537,918
1-5 years	1,384,638	3,082,686
More than 5 years	7,910,745	4,622,280
	<u>9,899,268</u>	<u>8,242,884</u>

**14.3 The sensitivity of the defined benefit obligation to changes in the weighted average of the key assumptions is:**

	<u>Change in assumption</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Discount rate	+1%	9,287,000	7,701,442
	-1%	10,599,547	8,859,679
Long-term salaries	+1%	10,659,406	8,915,708
	-1%	9,225,169	7,644,179

**15. Accrued expense and other credit balances**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Advances from customers	5,935,238	5,118,465
Employees' accruals	1,857,662	2,010,582
Board Remuneration, Committees and Executive Management	1,723,000	1,713,833
GOSI	154,910	149,760
Others	787	425
	<u>9,671,597</u>	<u>8,993,065</u>

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**16. Transaction and balances with related parties****A. Related parties**

Related parties comprise the major shareholders, members of the Board of Directors, and key management personnel of the Company, as well as entities in which they hold significant stakes or over which they exercise control or significant influence.

**B. Transactions with Related Parties**

Transactions with key management personnel are represented in the salaries, bonuses, and allowances of the members of the board of directors, the members of the committees, and executive management that took place during the year between the company and members of the board of directors, the members of the committees and the executive management.

The transactions with key management personnel are as follows:

	2025		2024	
	Board members and committees	Executive management	Board members and committees	Executive management
Remunerations of Board Members, Committees and Executive Management (Note 15)	1,370,000	200,000	1,360,833	200,000
Board and committee attendance allowances (Note 15)	153,000	-	153,000	-
Salaries, wages and equivalents	-	2,854,500	-	2,854,500
End of service benefits	-	198,615	-	139,125
	<u>1,523,000</u>	<u>3,253,115</u>	<u>1,513,833</u>	<u>3,193,625</u>

**17. Zakat provision****17-1 Zakat Position and Status of Assessments**

The Company has filed its declarations with the Zakat, Tax, and Customs Authority (“the Authority”) up to the year ended 31 December 2024. The Company obtained a certificate from the Authority, valid until 13 Dhu al-Qi’dah 1447H, corresponding to 30 April 2026. The Company was audited by the Authority for the year 2024, resulting in an additional amount payable of SAR 485, which has been settled, in addition to the amount of the submitted and paid declaration for the same period of SAR 255,060. There is no ongoing assessment.

**17-2 Zakat Base**

	2025	2024
<b>Net adjusted (Loss) profit (A)</b>	<b>(14,867,888)</b>	10,129,733
<b>Adds:</b>		
Equity	236,148,099	251,355,773
Liabilities and its equivalents	57,063,504	54,201,486
Other additions	-	-
<b>Deducted:</b>		
Net non-current assets and its equivalents	(275,507,073)	(288,725,655)
Other deductions	(17,704,530)	(17,093,432)
<b>Zakat base (B)</b>	<b>(14,867,888)</b>	10,129,733
Zakat (of the adjusted net profit or the Zakat base, whichever is higher)	(14,867,888)	10,129,733
<b>Zakat by from net adjusted profit</b>	<b>-</b>	261,828

**17-3 Zakat provision movement**

	2025	2024
Balance at the beginning of the year	261,828	133,606
Charged for the year	-	261,828
Adjustments resulting from Zakat assessment (17-1)	485	9,922
Zakat Adjustment	(6,768)	-
Paid during the year	(255,545)	(143,528)
Balance at the end of the year	<u>-</u>	<u>261,828</u>

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**18. Revenue**

	<u>2025</u>	<u>2024</u>
Steel Sales	<b>428,694,801</b>	553,305,344
	<b>428,694,801</b>	553,305,344
	<u>2025</u>	<u>2024</u>
At a point in time	<b>428,694,801</b>	553,305,344
	<b>428,694,801</b>	553,305,344

**19. Cost of Revenue**

	<u>2025</u>	<u>2024</u>
Consumed material	<b>340,396,398</b>	432,332,451
Energy expenses	<b>32,581,670</b>	33,876,877
Salaries, wages and equivalents	<b>18,937,982</b>	20,139,948
Depreciation of property, plant, and equipment	<b>15,832,995</b>	20,863,722
Maintenance and repairs and spare parts	<b>8,826,115</b>	9,840,324
Other manufacturing costs	<b>4,017,540</b>	2,572,926
	<b>420,592,700</b>	519,626,248

**20. Selling and marketing expenses**

	<u>2025</u>	<u>2024</u>
Salaries, wages and equivalents	<b>1,082,721</b>	865,398
Depreciation of property, plant, and equipment (note 5)	<b>257,302</b>	410
Shipping and transportation	<b>185,058</b>	900,629
Others	<b>95,114</b>	61,296
	<b>1,620,195</b>	1,827,733

**21. General and administrative expenses**

	<u>2025</u>	<u>2024</u>
Salaries, wages, and equivalents	<b>9,596,001</b>	10,381,538
Board of directors' and Executive committees remuneration (Note 16-B)	<b>1,723,000</b>	1,713,833
Professional and consulting fees	<b>1,419,873</b>	1,314,408
Electricity, water, and communication	<b>273,528</b>	167,512
Medical insurance	<b>264,613</b>	249,103
Depreciation of property, plant, and equipment (note 5)	<b>202,816</b>	248,634
Transportation and transfer	<b>122,252</b>	103,742
Subscription and charges	<b>40,932</b>	63,547
Hospitality	<b>36,587</b>	44,681
Others	<b>436,891</b>	462,362
	<b>14,116,493</b>	14,749,360

**21-1** The professional fees for auditing the financial statements and reviewing the interim financial statements for the company amounted to SAR 349,000 (2024: SAR 273,000).

**22. Finance cost**

	<u>2025</u>	<u>2024</u>
Local bank loan	<b>5,836,512</b>	6,408,398
Interest on employees' end-of-service benefits (note 14.2)	<b>428,282</b>	279,373
	<b>6,264,794</b>	6,687,771

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**23. Other revenue**

	<u>2025</u>	<u>2024</u>
Sales of production waste	1,672,145	1,050,662
Gain from sale of property, plant and equipment	39,998	5,164
	<u>1,712,143</u>	<u>1,055,826</u>

**24. Capital commitment and contingent liabilities****A) Capital Commitment**

As at 31 December 2025, the Company has capital commitments amounting to SAR 315,000, related to the supply and installation of pollution control equipment and a chimney monitoring system (31 December 2024: SAR 62,300).

**B) Contingent liabilities**

There is no contingent liabilities for the company on 31 December 2025.

**C) Contingent assets**

The company has a contingent asset as at 31 December 2025 of SR 2,784,508 (31 December 2024 of SR 2,784,508), which is a refund of the purchase amounts of Salman Jawhar Jawhar Scrap Melting Factory, based on the letter of the liquidation trustee of Salman Jawhar Jawhar Scrap Melting Factory Company due to the inability to transfer the ownership of the plant from Salman Johar Scrap Melting Factory Company to Watani Iron Steel Company.

**25. Basic and diluted earnings per share**

Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Diluted earnings per share are the same as basic earnings per share as the company has no dilutive instruments.

	<u>2025</u>	<u>2024</u>
Net (loss) / profit attributed to ordinary share holders	(14,867,888)	9,867,905
Weighted average of number of issued ordinary shares	181,650,000	181,650,000
Basic and diluted (loss) / earnings per share	<u>(0.08)</u>	<u>0.05</u>

**26. Segment reporting and Major Customers**

The main activity of the company is the manufacture of rebar and iron primary products in the form of billets from substrates and waste after remelting them. The company's foreign sales did not achieve any of the quantitative limits referred to in International Financial Reporting Standard No. (8) "Operational Segments".

The company's revenue includes sales with customers each representing more than 10% of total revenue, as shown in the table below. Revenue from these key customers amounted to the following:

Customer	<u>31 December 2025</u>		<u>31 December 2024</u>	
	Revenue value	Percentage of total revenue	Revenue value	Percentage of total revenue
A	97,359,600	%22.7	103,529,770	%18.7
B	53,316,200	%12.4	13,969,500	%2.5

Furthermore, all amounts due from these major customers have been collected during the year, and there are no outstanding balances for them within the trade receivables.

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#### 27. Financial instruments and risk management

The Company's principal financial liabilities include borrowing, trade and other credit balances, due to related parties, and loans. The Company's principal financial assets consist of cash and bank balances, trade receivables, prepayments and other debit balances. The main financial risks arising from the company's financial instruments are market risk, credit risk, liquidity risk, currency risk and concentration risk. Management reviews and conforms to policies to manage these risks.

##### 27.1 Financial Assets

	2025	2024
<b>Financial assets at amortised cost:</b>		
Cash and cash equivalents balances	18,895,422	12,058,909
Trade receivables	4,962,182	2,680,650
Other receivables	247,293	117,644
	<b>24,104,897</b>	<b>14,857,203</b>

##### 27.2 Financial Liabilities

	<b>Effective interest rate</b>	<b>Maturity</b>	2025	2024
Short-term borrowings	Note 13	Less than 1 year	71,146,092	64,158,681
Trade payables	Interest free	Less than 1 year	47,702,286	37,029,918
Other receivables	Interest free	Less than 1 year	3,736,359	3,874,600
			<b>122,584,737</b>	<b>105,063,199</b>

##### 27.3 Market risk

It is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market, such as foreign exchange rates and interest rates, which affects the company's income or the value of its financial instruments. Market risk management aims to manage and control exposure to market risk within acceptable limits while maximizing returns. There has been no change in the company's exposure to market risks or the way in which these risks are managed and how they are measured.

##### 27.3.1 Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the company's financial position and cash flows. The company is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly consist of bank facilities and loans. Management limits interest rate risk by monitoring changes in interest rates. Management monitors changes in interest rates and believes that the cash flow and interest rate risks to the fair value of the company are not significant. Company's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS7 as the carrying amount or future cash flows will not change due to changes in market interest rates. Thus, the company is not exposed to fair value interest rate risk.

The company's exposure to changes in interest rates is as follows:

	2025	2024
Variable interest rate loans	71,146,092	64,158,681

All existing credit facility agreements are concluded with local banks and are in compliance with the provisions of Islamic Sharia.

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## 27. Financial instruments and risk management (continued)

### 27.3.1 Interest rate risk (continued)

#### Sensitivity analysis

The following table shows the sensitivity of income to reasonably possible changes in interest rates, with other variables held constant, there is no direct impact on the equity of the company.

	Statement of Profit and loss and Other Comprehensive Income					
	2025			2024		
	100 more	points	100-points discount	100 discount	points	100-points more
Variable interest rate loans	7,114,609		(7,114,609)	6,415,868		(6,415,868)
Changes in cash flow	7,114,609		(7,114,609)	6,415,868		(6,415,868)

There is no effect on the statement of equity.

### 27.3.2 Currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are recognized in a currency other than the Saudi Riyal. . The company's exposure to foreign currency risk is mainly limited to Euro, United Arab Emirates Dirham, and US dollar transactions. The company's management believes that its exposure to foreign currency risk is limited as the Saudi riyal is pegged to the US dollar, AED. Fluctuations in the Euro and AED exchange rates are monitored on an ongoing basis.

As at 31 December 2025, the company has no outstanding balance in foreign currenct.

### 27.4 Credit risk

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to the other party. The company does not have significant concentration of credit risk. Cash and cash equivalents are deposited with local banks with high credit ratings. Trade and other receivables are mainly due from customers in the local market and are shown at their estimated collectible value. The company has policies in place to reduce its exposure to credit risk. The book value of the financial assets represent the maximum credit risk.

The following is the credit rating of the banks that the company deals with and their balance as on 31 December:

<u>Credit rating</u>	<u>2025</u>	<u>2024</u>
A-	18,810,038	12,058,909
A1	-	-
A2	-	-
A3	-	-
	<u>18,810,038</u>	<u>12,058,909</u>

Trade receivables represent amounts due from domestic customers arising from the sale of goods. Trade receivables are non-interest bearing. The outstanding balances relate to various customers and do not exceed six months in age. The Company applies the simplified approach in measuring the allowance for expected credit losses in accordance with International Financial Reporting Standard No. 9, "Financial Instruments". The Company has assessed the Expected Credit Losses (ECL) in accordance with the requirements of IFRS 9. The assessment revealed no significant credit risk exposure, and the resulting impact was Immaterial. Consequently, no ECL provision has been recognized in the financial statements.

Default in financial statements is when the counterparty fails to make contractual payments within one year of their due date.

	<u>2025</u>	<u>2024</u>
<b>Trade Receivable</b>		
Less than 6 Months	4,962,182	-
6 months and below year	-	4,020,975
	<u>4,962,182</u>	<u>4,020,975</u>

## 27. Financial instruments and risk management (continued)

### 27.4 Credit risk (continued)

#### Other Receivables

Other receivables consist entirely of cash advances granted to the Company's employees, which are typically recovered through monthly payroll deductions. Management considers the credit risk associated with these advances to be minimal, as they are granted to active employees. Furthermore, the Company holds the legal right to offset these balances against end-of-service benefits or monthly salaries in the event of default.

#### 27.5 Liquidity risk

It is the risk that the company will encounter difficulties in obtaining the necessary financing to meet obligations associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the company's financial obligations. The company's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under normal and established conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The following table summarizes the company's financial liabilities in the related maturity companies based on the remaining period at the balance sheet date and up to the contractual maturity date. The amounts shown in the table are the contractual undiscounted cash flows.

	Carrying amount	Less than a year	1-5 years	More than 5 years
<b>31 December 2025</b>				
Short-term Borrowings	71,146,092	71,146,092	-	-
Trade payables	47,702,286	47,702,286	-	-
Accrued expense and other credit balances	9,671,597	9,671,597	-	-
	<b>128,519,975</b>	<b>128,519,975</b>	-	-
	Carrying amount	Less than a year	1-5 years	More than 5 years
<b>31 December 2024</b>				
Short-term Borrowings	64,158,681	64,158,681	-	-
Trade payables	37,029,918	37,029,918	-	-
Accrued expense and other credit balances	8,993,065	8,993,065	-	-
	<b>110,181,664</b>	<b>110,181,664</b>	-	-

#### 27.6 Capital risk management

The company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital used to maintain the company's ability to continue operating as a going concern so that it can provide returns to shareholders and benefits to other stakeholders. The company monitors its capital base using the net debt to equity ratio. Net debt is calculated as loans less Cash and cash equivalent balances.

**27. Financial instruments and risk management (continued)**

**27.6 Capital risk management (continued)**

The following is the net debt to equity ratio of the company at the end of the year:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Short-term Borrowings	71,146,092	64,158,681
Less:		
Cash and cash equivalent	<u>(18,895,422)</u>	<u>(12,058,909)</u>
Net debt	<b>52,250,670</b>	52,099,772
Total equity attributable to the company's shareholders	<u>236,148,099</u>	<u>251,355,773</u>
Net debt to equity ratio	<u><b>22,13%</b></u>	<u>20,73%</u>

**27.7 Commodity price risk**

The Company is exposed to financial risks arising from volatility in the prices of raw materials required for its operations. This exposure may adversely impact the Company's production costs and cash flows. Based on the sensitivity analysis, a reasonably possible 5% change in commodity prices would affect the statement of profit or loss, with no direct impact on the Company's equity.

**27.8 Fair value**

Fair value is the amount for which an asset could be exchanged or a liability settled in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability will take place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant for its highest and best use.

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**27. Financial instruments and risk management (continued)****27.8 Fair value (continued)**

The Company uses valuation techniques that are appropriate to the circumstances and conditions and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs to the greatest extent possible.

All assets and liabilities whose fair values are measured or whose fair values are disclosed in the financial statements are classified within the fair value hierarchy shown below based on the lowest level data that is considered material for measuring fair value as a whole:

- The first level: prices traded in active markets for the same assets or liabilities.
- The second level: Other valuation methods in which the minimum essential data are observable, directly or indirectly, to measure the fair value.
- The third level: other valuation methods in which there are minimal essential data that are not observable to measure the fair value.

For assets and liabilities included in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the above hierarchy by reassessing the classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period for preparing financial statements.

The carrying value of financial assets that cannot be measured at fair value is the approximation of their fair value. Financial liabilities are measured at amortized cost, which is a reasonable approximation of their fair value.

The following tables show the carrying value and fair value of the financial assets and financial liabilities of the company, including levels of the fair value hierarchy, for financial assets and liabilities that are not measured at fair value and have a short-term maturity, it is assumed that the book value approximates its fair value and therefore it does not include fair value information for these financial instruments. It includes cash and cash equivalents, trade receivables, prepayments and other assets, loans, trade and other credit balances.

As at 31 December 2025	Carrying value			Fair value			
	Financial assets at FVTOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>							
Trade receivables	--	4,962,182	4,962,182	--	--	--	--
Other trade receivables	--	247,293	247,293	--	--	--	--
Cash and cash equivalent	--	18,895,422	18,895,422	--	--	--	--
	--	24,104,897	24,104,897	--	--	--	--
<b>Financial liabilities</b>							
Short-term Borrowings	--	71,146,092	71,146,092	--	--	--	--
Trade payables	--	47,702,286	47,702,286	--	--	--	--
Other trade payables	--	3,736,359	3,736,359	--	--	--	--
	--	122,584,737	122,584,737	--	--	--	--

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**27. Financial instruments and risk management (continued)**

**27.8 Fair value (continued)**

As at 31 December 2024	Carrying value			Fair value			
	Financial assets at FVTOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>							
Trade receivables	--	2,680,650	2,680,650	--	--	--	--
Other trade receivables	--	117,644	117,644	--	--	--	--
Cash and cash equivalent	--	12,058,909	12,058,909	--	--	--	--
	--	14,857,203	14,857,203	--	--	--	--
<b>Financial liabilities</b>							
Short-term Borrowings	--	64,158,681	64,158,681	--	--	--	--
Trade payables	--	37,029,918	37,029,918	--	--	--	--
Other trade payables	--	3,874,600	3,874,600	--	--	--	--
	--	105,063,199	105,063,199	--	--	--	--

**28. Subsequent Events not amended after the date of the statement of financial position**

Management believes that there are no significant subsequent events since the end of the year that may require disclosure or amendment to these financial statements.

**29. Approval of the financial statements**

The financial statements for the year ended on 31 December 2025 were approved by the Company's Board of Directors on 15 Ramadan 1447H corresponding to 04 March 2026.