

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 31 March 2022
with
INDEPENDENT AUDITORS' REPORT ON REVIEW



KPMG Professional Services

Zahrán Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent auditor's report on review of condensed

consolidated interim financial statements

To the Shareholders of the Arabian Cement Company
(A Saudi Joint Stock Company)
Jeddah - Kingdom Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2022 condensed consolidated interim financial statements of Arabian Cement Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2022;
- the condensed consolidated statement of profit or loss for the three month period ended 31 March 2022,
- the condensed consolidated statement of comprehensive income for the three month period ended 31 March 2022,
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2022,
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2022; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة منقطة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of the Arabian Cement Company
(A Saudi Joint Stock Company)
Jeddah - Kingdom Saudi Arabia

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed interim consolidated financial statements of Arabian Cement Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 16 May 2022
Corresponding to 15 Shawwal 1443H



ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<u>Note</u>	31 March 2022 (Unaudited) SR ('000)	31 December 2021 (Audited) SR ('000)
Assets			
Property, plant and equipment	7	2,172,625	2,198,564
Intangible assets		14,013	14,314
Investment properties		5,700	5,700
Investments in equity accounted investees	8	57,195	54,554
Equity instruments at FVOCI		150,518	149,664
Deferred income tax	12	21,950	21,950
Right-to-use assets		4,572	4,665
Non-current assets		2,426,573	2,449,411
Inventories		367,799	408,357
Trade receivables	10	217,045	204,287
Prepayments and other receivables		28,563	17,619
Financial investments at amortised cost		--	210,000
Cash and cash equivalents		417,054	143,436
Current assets		1,030,461	983,699
Total assets		3,457,034	3,433,110
Equity and Liabilities			
Equity attributable to shareholders of the Company			
Share capital	1	1,000,000	1,000,000
Share premium		293,565	293,565
Statutory reserve		500,000	500,000
General reserve		95,000	95,000
Foreign currency translation reserve		(561)	(561)
FVOCI equity instruments assessment reserve		92,614	91,760
Retained earnings		811,783	769,930
Total equity attributable to the Company's shareholders		2,792,401	2,749,694
Non-controlling interests		83,946	83,632
Total shareholders' equity (after)		2,876,347	2,833,326

The attached notes 1 to 18 of these condensed consolidated interim financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 March 2022

	<u>Note</u>	31 March 2022 (Unaudited) SR ('000)	31 December 2021 (Audited) SR ('000)
Total shareholder's equity (before)		2,876,347	2,833,326
Long term loans and facilities	11	215,617	248,674
Employees' defined benefit obligations		55,400	54,311
Deferred tax liabilities	12	56,116	56,116
Lease obligations	9	4,099	4,319
Non-current liabilities		331,232	363,420
Long-term loans and facilities - current portion	11	30,413	7,934
Trade and other payables		183,194	195,668
Zakat and income tax payable		22,793	19,793
Dividend payable	16	12,324	12,346
Lease obligations	9	731	623
Current liabilities		249,455	236,364
Total liabilities		580,687	599,784
Total shareholders' equity and liabilities		3,457,034	3,433,110

The attached notes 1 to 18 of these condensed consolidated interim financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month period ended 31 March 2022

	<u>Note</u>	<u>2022</u> (Unaudited) SR ('000)	<u>2021</u> (Unaudited) SR ('000)
Revenue		259,262	321,502
Cost of sales		(190,145)	(217,377)
Gross profit		<u>69,117</u>	<u>104,125</u>
Selling and distribution expenses		(11,472)	(15,498)
General and administrative expenses		(13,239)	(10,287)
Operating income		<u>44,406</u>	<u>78,340</u>
Group's share of results of equity-accounted investees	8	2,689	(77)
Finance costs		(3,447)	(5,266)
Other revenues, net		2,124	1,853
Profit before Zakat and income tax		<u>45,772</u>	<u>74,850</u>
Zakat		(3,000)	(3,750)
Deferred income tax		(557)	(2,703)
Profit for the period		<u>42,215</u>	<u>68,397</u>
<u>Profit for the period attributable to:</u>			
Shareholders of the Company		41,901	66,957
Non-controlling interests		314	1,440
		<u>42,215</u>	<u>68,397</u>
<u>Earnings per share for the period attributable to shareholders of the Company (SR):</u>			
Basic	13	<u>0.42</u>	<u>0.67</u>
Diluted		<u>0.42</u>	<u>0.67</u>

The attached notes 1 to 18 of these condensed consolidated interim financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the three-month period ended 31 March 2022

	<u>Note</u>	<u>2022</u> (Unaudited) SR ('000)	<u>2021</u> (Unaudited) SR ('000)
Profit for the period		<u>42,215</u>	<u>68,397</u>
<u>Other comprehensive income items:</u>			
Items that are or may be reclassified subsequently to the statement of profit or loss:			
Unrealized gains on investments in equity instruments at FVOCI		854	7,899
The Group's share in other comprehensive (loss) / income of equity-accounted investees	8	(48)	36
Total other comprehensive income		<u>806</u>	<u>7,935</u>
Total comprehensive income of the period		<u><u>43,021</u></u>	<u><u>76,332</u></u>
<u>Total comprehensive income attributable to:</u>			
Shareholders of the Company		42,707	74,892
Non-controlling interests		<u>314</u>	<u>1,440</u>
Total comprehensive income of the period		<u><u>43,021</u></u>	<u><u>76,332</u></u>

The attached notes 1 to 18 of these condensed consolidated interim financial statements.

ARABIAN CEMENT COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three-month period ended 31 March 2022

	Equity attributable to shareholders of the Company							Total equity attributable to the Company's shareholders SR ('000)	Non-controlling interests SR ('000)	Total equity SR ('000)
	<u>Share capital</u> SR ('000)	<u>Share premium</u> SR ('000)	<u>Statutory reserve</u> SR ('000)	<u>General reserve</u> SR ('000)	<u>Foreign currency translation reserve</u> SR ('000)	<u>FVOCI equity instruments assessment reserve</u> SR ('000)	<u>Retained earnings</u> SR ('000)			
As at 1 January 2022 (audited)	<u>1,000,000</u>	<u>293,565</u>	<u>500,000</u>	<u>95,000</u>	<u>(561)</u>	<u>91,760</u>	<u>769,930</u>	<u>2,749,694</u>	<u>83,632</u>	<u>2,833,326</u>
<u>Total comprehensive income</u>										
Profit for the period	--	--	--	--	--	--	41,901	41,901	314	42,215
Other comprehensive gain	--	--	--	--	--	854	(48)	806	--	806
Total comprehensive income	--	--	--	--	--	854	41,853	42,707	314	43,021
Balance at 31 March 2022 (unaudited)	<u>1,000,000</u>	<u>293,565</u>	<u>500,000</u>	<u>95,000</u>	<u>(561)</u>	<u>92,614</u>	<u>811,783</u>	<u>2,792,401</u>	<u>83,946</u>	<u>2,876,347</u>

The attached notes 1 to 18 of these condensed consolidated interim financial statements.

ARABIAN CEMENT COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

For the three-month period ended 31 March 2022

	Equity attributable to shareholders of the Company									
	<u>Share capital</u> SR ('000)	<u>Share premium</u> SR ('000)	<u>Statutory reserve</u> SR ('000)	<u>General reserve</u> SR ('000)	<u>Foreign currency translation reserve</u> SR ('000)	<u>FVOCI equity instruments assessment reserve</u> SR ('000)	<u>Retained earnings</u> SR ('000)	<u>Total equity attributable to the Company's shareholders</u> SR ('000)	<u>Non-controlling interests</u> SR ('000)	<u>Total equity</u> SR ('000)
Balance as at 1 January 2021 (as previously reported)	1,000,000	293,565	500,000	95,000	(561)	122,077	901,690	2,911,771	81,135	2,992,906
Correction of previous years' errors (note 17)							(38,997)	(38,997)	(5,961)	(44,958)
Balance as at 1 January 2021 (audited and adjusted)	<u>1,000,000</u>	<u>293,565</u>	<u>500,000</u>	<u>95,000</u>	<u>(561)</u>	<u>122,077</u>	<u>862,693</u>	<u>2,872,774</u>	<u>75,174</u>	<u>2,947,948</u>
<u>Total comprehensive income</u>										
Profit for the period	--	--	--	--	--	--	66,957	66,957	1,440	68,397
Other comprehensive gain	--	--	--	--	--	7,899	36	7,935	--	7,935
Total comprehensive income	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,899</u>	<u>66,993</u>	<u>74,892</u>	<u>1,440</u>	<u>76,332</u>
Balance at 31 March 2021 (unaudited and adjusted)	<u>1,000,000</u>	<u>293,565</u>	<u>500,000</u>	<u>95,000</u>	<u>(561)</u>	<u>129,976</u>	<u>929,686</u>	<u>2,947,666</u>	<u>76,614</u>	<u>3,024,280</u>

The attached notes 1 to 18 of these condensed consolidated interim financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (UNAUDITED)

For the three-month period ended 31 March 2022

	<u>Note</u>	<u>2022</u> (Unaudited) SR ('000)	<u>2021</u> (Unaudited) SR ('000)
Income for the period before zakat and income tax		45,772	74,850
Adjustments:			
Depreciation on property, plant and equipment	7	34,776	34,897
Amortization of intangibles		301	300
Amortization of right to use assets		93	97
Group's share of results of equity-accounted investees	8	(2,689)	77
Profit from sale of property plant and equipment		(32)	--
Finance costs		3,447	5,266
Employee defined benefit obligation charge for the period		1,089	922
		82,757	116,409
Changes in working capital:			
Trade receivables, prepayments and other debit balances		(23,702)	(6,904)
Inventories		40,558	81,552
Trade and other payables		(12,474)	5,348
		87,139	196,405
Finance costs paid		(3,357)	(5,170)
Zakat and income tax paid		(557)	(3,516)
Paid employees' benefits		--	(911)
Net cash provided by operating activities		83,225	186,808
Investing activities			
Additions to property, plant and equipment	7	(8,961)	(3,930)
Proceeds from sale of property plant and equipment		159	--
Financial investments at amortised cost		210,000	--
Net cash generated from / (used in) investing activities		201,198	(3,930)
Financing activities			
Proceeds from term loans		--	20,000
Repayment of term loans		(10,578)	(43,140)
Payment of lease obligations		(205)	--
Dividends paid	16	(22)	(11)
Net cash used in financing activities		(10,805)	(23,151)
Change in cash and cash equivalents during the period		273,618	159,727
Cash and cash equivalents as at the beginning of the period		143,436	234,428
Cash and cash equivalents as at end of the period		417,054	394,155
Significant non-cash transactions			
Net profit from from equity instruments at FVOCI		854	7,899
Trade payables adjustments		--	3,308

The attached notes 1 to 18 of these condensed consolidated interim financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three-month period ended 31 March 2022

1. CORPORATE INFORMATION

Arabian Cement Company (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company incorporated in accordance with the Companies’ Regulations in the Kingdom of Saudi Arabia under the Royal Decree No. 731 dated 12 Jumada Al-Oula 1374H (5 January 1955) and the Company works under the commercial registry No. 4030000148 Jeddah, 14 Ramadan 1376 H (corresponding to 13 April 1957).

The Company's share capital is one billion Saudi riyals divided into 100 million shares, of SR 10 each, as at 31 March 2022 and 31 December 2021.

The Company’s shares are listed in the Capital Market Authority in the Kingdom of Saudi Arabia. The Parent Company is owned by 6.67% to a major shareholder, while 93.33% is owned by other shareholders as at 31 March 2022 (31 December 2021: 6.67% by major shareholder and 93.33% by other shareholders).

The main activity of the Company is as follows:

1. Production of cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
2. Trading of clinker, cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
3. Utilization of mines and establishing of factories and stores needed in manufacturing, storage, selling, purchase, exporting and importing and other complementary and supportive industries.

To achieve these purposes, the Company has the right to enter into all types of contracts of properties and movable assets within the limits if the applicable regulations.

The registered address of the Company is Arabian Cement Company building, 8605 King Abdulaziz Road, Nahdha District, Jeddah 23523-2113, Kingdom of Saudi Arabia.

As at 31 March 2022 and 31 December 2021, the Company has, directly or indirectly, investments in the following subsidiaries (referred to collectively as the “Group”):

The details of the subsidiaries are as follow:

<u>Subsidiary</u>	<u>Principal business activity</u>	<u>Country of incorporation</u>	<u>Shareholding (%)</u>	
			<u>2022</u>	<u>2021</u>
Bahrain Arabian Cement Holding Company (Bahrain Cement Company)	Holding company	Kingdom of Bahrain	100%	100%

At 5 November 2007, Bahrain Arabian Cement Holding Company has been established as an individual Company registered in the Kingdom of Bahrain with the purpose of managing its subsidiaries and to invest in shares, bonds and securities and to own properties and movable assets necessary to its operations and to provide loans and has facilities to provide loans warranties and financing for its subsidiaries.

ARABIAN CEMENT COMPANY
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month period ended 31 March 2022

1. COMPANY INFORMATION (continued)

Bahrain Cement Company has investment in the following subsidiary:

<u>Subsidiary</u>	<u>Principal business activity</u>	<u>Country of incorporation</u>	<u>Shareholding (%)</u>	
			<u>2022</u>	<u>2021</u>
Qatrana Cement Joint Stock Private Company (“Qatrana Cement Company”)	Cement production	Kingdom of Jordan	86.74%	86.74%

Bahrain Cement Company owns 86.74% of Qatrana Cement Company’s shares and holds control over its business and management, and thus, Qatrana Cement Company is considered an indirectly owned subsidiary by the Parent Company and consolidated in these condensed consolidated interim financial statements. Qatrana Cement Company’s activity is represented in the production of black Portland cement, white cement and calcium carbonate.

The condensed consolidated statement of profit or loss includes the results of operations of the subsidiaries for the three-month period ended 31 March 2022, and the condensed consolidated statement of financial position includes the assets and liabilities of the subsidiaries, as at 31 March 2022.

2. BASIS OF PREPERATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No. 34 “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants. These condensed consolidated interim financial statements should be read in conjunction with the financial statements of the last annual financial statements of the Group as in as at 31 December 2021 (“Previous Year Financial Statements”). These financial statements do not include all the information required to prepare a complete set of consolidated financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, however some accounting policies and explanatory notes have been included to explain the events and transactions that are important to understand the changes in the financial position and financial performance of the Group from the consolidated financial statements of the previous year. In addition, the results for the three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

2.2 Basis of measurement

The Condensed consolidated interim financial statements have been prepared on historical cost basis, except for the following major items presented in condensed consolidated statement of financial position:

- Equity investments are measured at Fair Value through Other Comprehensive Income
- Accruals of financial defined benefit obligations are recognized for future obligations based on the projected unit credit method.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month period ended 31 March 2022

2. BASIS OF PREPERATION (continued)

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are prepared in Saudi Arabian Riyals (SR) which is the Company's functional and presentation currency of the Group. All amounts have been rounded off to the nearest thousand Saudi Riyal unless otherwise stated.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are continuously being evaluated. Revised accounting estimates are also reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management upon the adopting the Company's accounting policies correspond to the disclosed policies in the financial statements for the year ended 31 December 2021.

4. BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries set forth in Note 1. Control is achieved when the Group is exposed, or has rights to returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group is considered having control over the investee in the following cases or elements:

- 1) Control over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- 2) Exposure to rights in variable returns from its involvement with the investee.
- 3) The ability to use its power over the investee to affect its returns.

The Group reassesses whether it has control over the investee if facts and circumstances indicate that there have been changes in one of the above-mentioned elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of an acquired or disposed of subsidiary during the period are included in the consolidated financial statements from the date the Group gains control until the date the control ceases.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month period ended 31 March 2022

4. BASIS OF CONSOLIDATION (continued)

Profits, losses and all components of other comprehensive income are attributable to the equity holders of the Parent Company of the Group and to the holders of non-controlling interests, even if this results in a deficit balance in favor of the non-controlling interest holders. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group balances and financial transactions resulting from transactions between the Group and its subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains or losses resulting from internal transactions in the Group are eliminated upon consolidation of the financial statements.

Any change in shareholding interests in the subsidiary, without loss of control, is accounted for as an equity transaction, and when the Group loses control on the subsidiary it and does the following:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary
- Derecognition of the carrying amount of any non-controlling interest.
- Derecognition of the cumulative transfer differences recorded under equity.
- Recognition of fair value of consideration received.
- Recognition of the fair value of any investment retained
- Recognition of surplus or deficit are recognized in profit or loss.

The Parent Company's share of the aforementioned components within other comprehensive income is reclassified under profit, loss or retained earnings, as would be required if the Group had directly disposed of the related assets or liabilities.

Eliminated transactions

Intra-group balances and transactions, as well as any unrealized gains or losses resulting from internal transactions between the Group's companies, are completely eliminated when preparing these consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but to the extent that there is no evidence of impairment.

Non-controlling interests

The non-controlling interests in the net assets of the consolidated subsidiaries are recognized separately from the Group's equity in the net assets. Non-controlling interests consist of the amounts of those interests that are recognized at the date of the original business combination in addition to their shares in the changes in equity in the Company that occur after the date of acquisition.

The Group does not add its indirect share in the subsidiary that it owns through investments in equity-accounted investees. When calculating the shares attributable to non-controlling interests, only the shares owned directly or indirectly by another subsidiary are taken into account.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month period ended 31 March 2022

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED

5.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted by the Group in preparing the financial statements are consistent with those followed in preparing the annual consolidated financial statements of the Group for the year ended 31 December 2021, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective as of 1 January 2022. which did not have a material impact on the consolidated financial statements.

6. SEGMENT INFORMATION

The Group is mainly engaged in an operating segment that is related to production and selling of cement and clinker.

The Group's business has been divided into geographical business units as follows:

- All the operations of the Group are carried out in the Kingdom of Saudi Arabia.
- Group's operations outside the Kingdom of Saudi Arabia, which mainly represent the Group's operations in Hashemite Kingdom of Jordan, in addition to the Kingdom of Bahrain.

As at 31 March 2022 (Unaudited)	<u>Inside KSA</u> SR ('000)	Outside Kingdom of Saudi <u>Arabia</u> SR ('000)	<u>Reconciliations</u> SR ('000)	<u>Total</u> SR ('000)
Total property, plant, equipment and property investments	1,460,735	814,480	(96,890)	2,178,325
Investment at FVOCI	150,518	--	--	150,518
Total non – other current assets	720,339	45,584	(668,193)	97,730
Total current assets	806,146	224,159	156	1,030,461
Total liabilities	345,337	447,003	(211,653)	580,687

As at 31 December 2021 (Audited)	<u>Inside KSA</u> SR ('000)	Outside Kingdom of Saudi <u>Arabia</u> SR ('000)	<u>Reconciliations</u> SR ('000)	<u>Total</u> SR ('000)
Total property, plant, equipment and property investments	1,477,876	823,156	(96,768)	2,204,264
Investment at FVOCI	149,664	--	--	149,664
Total non – other current assets	715,751	45,979	(666,247)	95,483
Total current assets	753,321	231,465	(1,087)	983,699
Total liabilities	346,916	465,736	(212,868)	599,784

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6. SEGMENT INFORMATION (continued)

Financial information for revenues and profits related to geographical segments after elimination of the impact of the transactions between the Group's companies for the three months period ended 31 December 2022 and 2021 are as follows:

<u>For the period ended 31 March 2022 (Unaudited)</u>	<u>Inside KSA SR ('000)</u>	<u>Outside Kingdom of Saudi Arabia SR ('000)</u>	<u>Reconciliations SR ('000)</u>	<u>Total SR ('000)</u>
Revenue from Contracts with Customers	195,906	63,356	--	259,262
Period's profits attributable to Company's shareholders	41,901	2,043	(2,043)	41,901
Finance costs	--	3,447	--	3,447
Depreciations and amortizations	24,684	10,486	--	35,170
<u>For the period ended 31 March 2021 (Unaudited)</u>	<u>Inside KSA SR ('000)</u>	<u>Outside Kingdom of Saudi Arabia SR ('000)</u>	<u>Reconciliations SR ('000)</u>	<u>Total SR ('000)</u>
Revenue from Contracts with Customers	247,893	73,609	--	321,502
Period's profits attributable to Company's shareholders	66,957	9,412	(9,412)	66,957
Finance costs	28	5,238	--	5,266
Depreciations and amortizations	24,787	10,507	--	35,294

7. PROPERTY, PLANT AND EQUIPMENT

1) For the purposes of preparing the condensed consolidated statement of cash flows, the movement in property, plant and equipment during the three-month period ended 31 March is as follows:

	For the three-month period ended 31 March	
	<u>2022 (Unaudited) SR ('000)</u>	<u>2021 (Unaudited) SR ('000)</u>
Depreciations	<u>34,776</u>	<u>34,897</u>
Additions of property, plant and equipment	<u>8,961</u>	<u>3,930</u>

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

- 2) As at 31 March 2022, the Group's property, plant and equipment includes projects in progress amounting to SR 426 million (31 December 2021: SR 420.4 million) mainly related to business projects to raise the level of efficiency of production lines, construct cement mills and connection with the power plant, the balance of which is SR 409.7 million as at 31 March 2022 (31 December 2021: SR 409.7 million), which is expected to be completed in the last quarter of 2022.

As at 31 December 2021, the Company's management reviewed the recoverable amount of some projects under progress and reduced their book value by SR 16 million.

- 3) Group's property, plant and equipment are not pledged against standing loans as at 31 March 2022 and 31 December 2021.
- 4) The Company's buildings, plant and facilities were built on lands within the concession obtained by the Parent Company for mining in Rabigh under Royal Decree No. M/29 on Dhul Qi'dah 9, 1406 AH (corresponding to July 15, 1986) for a period of 30 years, renewable for a similar period if the company so desires, in return for an annual fee. The license for the exploitation of limestone was renewed pursuant to Ministerial Decision No. S/7197 dated 15/9/1437H (corresponding to 20 June 2016) and valid for 30 years from the date of 9 Shawwal 1437H (corresponding to 14 July 2016).

8. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Shareholding %</u>		<u>31 March</u>	<u>31 December</u>
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
					<u>(Unaudited)</u>	<u>(Audited)</u>
					<u>SR ('000)</u>	<u>SR ('000)</u>
Ready Mix Concrete and Construction Supplies Company	Kingdom of Jordan	Ready concrete production	36,67%	36,67%	17,491	17,054
Cement Products Limited Company	Kingdom of Saudi Arabia	Bags production Cement	33,33%	33,33%	39,704	37,500
					57,195	54,554

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8. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

The movement of investments in equity accounted investees during the period / year was as follows:

	31 March <u>2022</u> (Unaudited) SR ('000)	31 December <u>2021</u> (Audited) SR ('000)
Balance at beginning of the period/ year	54,554	48,343
Group's share in equity-accounted investees' results for the period / year	2,689	6,150
The Group's share in comprehensive income of equity-accounted investees	(48)	61
Balance at the end of the period/year	<u>57,195</u>	<u>54,554</u>

9. LEASES

Lease liabilities were presented in the balance sheet as follows:

	31 March <u>2022</u> (Unaudited) SR ('000)	31 December <u>2021</u> (Audited) SR ('000)
Short-term obligation	731	623
Long-term obligation	4,099	4,319
	<u>4,830</u>	<u>4,942</u>

The interest expense resulting from the lease contracts during the period ended 31 March 2022 amounted to SR 90 thousand (31 March 2021: SR 96 thousands).

10. TRADE RECEIVABLES

Trade receivables comprise of the following:

	31 March <u>2022</u> (Unaudited) SR ('000)	31 December <u>2021</u> (Audited) SR ('000)
Trade receivables	193,229	180,383
Trade receivables - related parties (Note 16)	26,656	26,744
	<u>219,885</u>	<u>207,127</u>
Provision for impairment of trade receivables	(2,840)	(2,840)
	<u>217,045</u>	<u>204,287</u>

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11. TERM LOANS

At July 20, 2017, the subsidiary, “Qatrana Cement Company”, has obtained a diminishing loan amounted JD 100 million (SR 528.9 million) from Arab Bank for the purpose of paying part of the Parent Company’s loans. The agreement includes certain conditions, including retaining financial ratios and that the ownership of the Arabian Cement Company, the Parent Company, doesn’t directly or indirectly become less than 75% of Qatrana Cement Company’s share capital during the loan lifetime.

The bank loan’s principal shall be paid on 16 equal semi-annual installments, each equals JD 6.25 million (SR 33.1 million), and interests shall be paid on monthly basis.

The installment due for the month of July 2020 has been rescheduled amounting to JD 6.25 million (SR 33.1 million), in addition to the interest of the loan for the period from 1 April till 31 December 2020, amounting to of JD 3.3 million (SR 17.3 million) and extending the loan repayment tenure for an additional year, so that the last installment will be due on 20 July 2026.

During 2019, a revolving loan was granted by the Arab Bank with a ceiling of JD 6.5 million (SR 34.4 million) at an interest rate of 7.75%. There is no utilized amount from the value of the revolving loan during the year ended 31 December 2021 (2020: None).

A loan was granted from the Arab Bank, supported by the Central Bank amounting to JD 3 million (SR 15.9) at an interest rate of 3.50% for a period of 24 months, where the first installment is due on January 2021.

During the year 2022 and 2021, the interest rate ranges from 6,38% to 5,38%.

During 2021, the Group obtained from a local bank a short-term loan, with an amount of SR 70 million. They were fully paid during the year.

Term borrowings are presented in the condensed consolidated statement of financial position sheet as following:

	31 March 2022 (Unaudited) SR ('000)	31 December 2021 (Audited) SR ('000)
Current portion of term borrowings	30,413	7,934
Non-current portion of term borrowings	215,617	248,674
	246,030	256,608

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11. TERM LOANS (continued)

The financing movement during the period / year is as follows:

	31 March 2022 (Unaudited) SR ('000)	31 December 2021 (Audited) SR ('000)
Balance at beginning of the period/ year	256,608	333,300
Received during the period/year	--	70,000
Payment during the period/year	(10,578)	(146,692)
	246,030	256,608

12. ACCRUED ZAKAT AND INCOME TAX

Zakat and tax status

Arabian Cement Company

The Company finalized its zakat status up to the year 2005 and submitted its zakat returns for the years ended 31 December 2006 through 2010 and ZATCA has issued zakat assessment for the mentioned years which resulted accrued zakat differences that amount to SR 14.6 million. The Company filed an appeal that was transferred to the Preliminary Objection Committee (POC) for the review and decision.

The Preliminary Objection Committee issued its resolution No. (36) in 1436H regarding the Company's objection on the said years. ZATCA has issued an adjusted zakat assessment based on the Preliminary Objection Committee's resolution, which showed a reduction in zakat differences amounts to SR 9.8 million. The Company paid the due zakat differences in accordance to the mentioned committee's resolution amounting to SR 4.8 million. ZTCA has also filed an appeal against the mentioned committee's resolution against the Tax Appeals Committee, which is still under consideration by the Committee up to date. The Company's management, supported by its zakat advisor, believes that the Company has a strong opportunity to win the aforementioned appeal.

The Company filed its Zakat returns for the years ended 31 December 2011 till 2013. The Zakat, Tax and Customs Authority did not issue the Zakat assessment for the said years till to date.

ZATCA has issued the Zakat assessment for the years ending on 31 December 2014 until 2018, which showed accrued zakat differences of SR 16.4 million. The Company paid the due zakat differences on the non-objectionable items, amounting to SR 2.6 million during the year ended 31 December 2020. The Company has also objected the zakat assessment, and ZATCA issued the amended zakat assessment based on the decision of the Preliminary Appeal Committee, which showed a decrease in zakat difference by an amount of SR 3.5 million. The Company has escalated the aforementioned objection to the Tax Committees for Resolution of Tax Violations and Disputes (the "TCRTVD"), which is still under consideration by ZTCA to date. The Company's management and the zakat advisor believe that its position is strong and that the Company has sufficient provision to cover potential zakat obligations as a result of this assessment.

The Company has submitted the Zakat returns for the two years ended 31 December 2019 and 2020 and obtained the unrestricted Zakat certificate for the year 2020.

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12. ACCRUED ZAKAT AND INCOME TAX (continued)

Zakat and tax status (continued)

Arabian Cement Company (continued)

The Zakat, Tax and Customs Authority has issued the Zakat and withholding tax assessment for the two years ended 31 December 2019 and 2020, which showed the total differences in Zakat and withholding tax due and a delay fine of SR 1.8 million.

The Company has filed an objection on the zakat assessments for the mentioned two years and paid the zakat due on the non-objectionable items in the amount of SR 83 thousand, in addition to paying the maximum amount of zakat differences due under the zakat assessment at 25% according to the Regulations, which amounts to SR 414 thousand.

ZATCA has issued the zakat assessment and the amended withholding tax for the two years ended 31 December 2019 and 2020, which showed a decrease in the differences in zakat, withholding tax and the fine for delay in the amount of SR 744 thousand. The Company has escalated the aforementioned objection to the Tax Committees for Resolution of Tax Violations and Disputes (the "TCRTVD"), which is still under consideration by ZATCA to date.

Qatrana Cement Company (subsidiary) – Jordan

Income tax returns were audited by the Income and Sales Tax Department until the end of 2018. The Company also filed income tax returns to the Department until the end of 2020.

With regard to sales tax, sales tax returns were audited by the Income and Sales Tax Department until the end of 2018. The Company also submitted sales tax returns to the Department for the end of February 2022.

The Income and Sales Tax Department reviewed the income tax for the Company for the year 2014 and issued its initial decisions requesting the Company to pay tax differences resulting from a difference in the interpretation of the decision of the Investment Board exemptions. Accordingly, the objection was submitted to the objection committee in the Income Tax Department. On 21 June 2020, the decision in relation to the objection was issued not to calculate investment promotion exemption on profits for the year 2014. However, the Company submitted its objection against the Department's decisions, and the files were transferred to the court to settle the dispute, and the Company did not calculate an additional provision for income tax as, according to the opinion of the legal advisor that the Company has strong reasons to win this case. The case is currently under review by the court of first instance.

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12. ACCRUED ZAKAT AND INCOME TAX (continued)

Zakat and tax status (continued)

Qatrana Cement Company (subsidiary) – Jordan (continued)

a) Deferred tax assets and liabilities

Movement on deferred tax assets was as follow:

	31 March <u>2022</u> (Unaudited) SR ('000)	31 December <u>2021</u> (Audited) SR ('000)
Balance at beginning of period/year	21,950	27,069
Additions and adjustments during the year	--	196
Transferred to the income tax provision	--	(5,315)
Balance at end of the period / year	<u>21,950</u>	<u>21,950</u>

Movement on deferred tax liabilities was as follow:

	31 March <u>2022</u> (Unaudited) SR ('000)	31 December <u>2021</u> (Audited) SR ('000)
Balance at beginning of period/year	56,116	56,116
Balance at end of the period/year	<u>56,116</u>	<u>56,116</u>

The differed tax assets and liabilities for the period ended 31 March 2022 is accounted accordingly with the Jordanian Income Tax Law No. (34) for the year 2018, which came into effect as of 1 January 2019. According to this law, the legal tax rate on the Company is 18%, in addition to the national contribution rate of 1% (2021: 17% in addition to the national contribution of 1%).

13. EARNING PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share has been based the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	31 March <u>2022</u>	31 March <u>2021</u>
Profit for the period (SR in 000's)	<u>41,901</u>	<u>66,957</u>
Number of shares (weighted average - in thousands)	<u>100,000</u>	<u>100,000</u>
Basic earnings per share (SR)	<u>0.42</u>	<u>0.67</u>

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13. EARNINGS PER SHARE (EPS) (continued)

b) Diluted EPS

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.

During the period, there are no transactions that reduce the earnings per share and therefore the earnings per diluted share is not different from the basic earnings per share.

14. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 March 2022, the Group has contingencies represented in outstanding letters of guarantee and credits of SR 83.4 million (31 December 2021: SR 30.1 million).

- As at 31 March 2022, the Group has capital commitments related to production lines, facilities and factories of the Group amounted to SR 4.8 million (31 December 2021: SR 2,8 million) and there are guarantees amounting to SR 23,1 million (31 December 2021: SR 23.1 million) provided to local banks against financial facilities and borrowings for a subsidiary.
- There is a lawsuit raised against the Company and they are still pending before the concerned authorities, with an unspecified value, and the Company's management or its legal advisor cannot reliably anticipate the obligations that may result from them at the present time, and accordingly no provisions have been made against these cases.
- There are lawsuits filed against the subsidiary, with a value of JD 90 thousand, equivalent to SR 476 thousand, as at 31 March 2022 (as at 31 December 2021: JD 90, equal to SR 476 thousand) in addition to cases with unspecified value. The subsidiary's Management and its legal consultant believe that the subsidiary has strong reasons against these cases, and there is no need to take any provisions against these cases.

15. RELATED PARTY DISCLOSURES

Related parties represent major shareholders, members of the Group's board of directors, key management personnel in the Group, and entities that are managed or over which significant influence is exercised by these parties. The related parties of the Company are as follows:

<u>Description</u>	<u>Nature of relation</u>
Ready Mix Concrete and Construction Supplies Company	Associate
Cement Products Limited Company	Associate
Group's BOD members	Other related parties
Key management and senior executives	Other related parties

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15. RELATED PARTIES DISCLOSURES (continued)

- a) The following table summarizes related parties' balances as at 31 March 2022 and 31 December 2021:

	<u>Volume of transactions</u>		<u>Closing balance</u>	
	<u>For the three-month period ended 31 March 2022 (Unaudited) SR ('000)</u>	<u>For the year ended 31 December 2021 (Audited) SR ('000)</u>	<u>31 March 2022 (Unaudited) SR ('000)</u>	<u>31 December 2021 (Audited) SR ('000)</u>
<u>Balance due from related parties under trade receivables</u>				
Ready Mix Concrete and Construction Supplies Company - Associate	Sales	9,707	44,243	26,744
<u>Due balances from related parties under other debit balances</u>				
Ready Mix Concrete and Construction Supplies Company - Associate	Dividends	--	--	175
<u>Balance due from related parties under trade payables</u>				
Cement Products Limited Company "Associate"	Purchases	1,202	12,955	385

- b) Allowances and remuneration of BOD members and senior executives:

	<u>For the three month period ended 31 March</u>	
	<u>2022 (Unaudited) SR ('000)</u>	<u>2021 (Unaudited) SR ('000)</u>
Salaries and remunerations of the senior executives of the Company	1,440	1,365
Salaries and allowances Company's key management and Senior Executives in the subsidiary	190	190
Allowances for attending Board of Directors meetings at the Company	76	99
Allowances for attending Board of Directors meetings at the Company the subsidiary	52	24
Board of directors numerations	675	450

Key managers' benefits include basic salaries, remunerations and other benefits under the Group's policy. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

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16. DIVIDEND PAYABLE

On 27 February 2022, the Company's Board of Directors recommended distributing cash dividends to shareholders for the second half of the year 2021 that amounted to SR 150 million, which represents SR 1.5 per share. which was approved during the sixty six ordinary general assembly meeting on 17 April 2022.

On 1 March 2021, the Company's Board of Directors recommended distributing cash dividends to shareholders for the second half of the financial year 2020 with an amount of SR 125 million, which represents SR 1.25 per share, which was approved during the sixty five Extraordinary General Assembly on 11 April 2021.

The movement on accrued dividends during the period/year is as follows:

	31 March <u>2022</u> (Unaudited) SR ('000)	31 December <u>2021</u> (Audited) SR ('000)
Balance at beginning of the period/ year	12,346	12,366
Declared during the period / year	--	250,000
Payment during the period / year	(22)	(250,020)
	<u>12,324</u>	<u>12,346</u>

17. CORRECTION OF PREVIOUS YEARS' ERRORS

During the year 2021, the management of the subsidiary company discovered that it had not, by mistake, calculate the deferred tax obligations resulting from temporary differences between the accounting basis of some items of property, plant and equipment and the tax basis for these assets for the years 2013, 2014 and 2015, noting that the subsidiary company has recorded an amount of JD 2.1 million, equivalent to SR 11.2 million, representing amounts paid in advance to the Income Tax Department for these years. The subsidiary has re-presented its statements by amending the items of the previous financial statements that were affected by this error in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

The following table summarizes the impact on the Group's consolidated statement of financial position as at 31 December 2020, knowing that there is no impact on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2020:

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17. CORRECTION OF PREVIOUS YEARS' ERRORS (continued)

<i>SR ('000)</i>	As at 31 December 2020		
	<u>Balance as previously reported</u>	<u>Prior year adjustments</u>	<u>Balance after adjustment</u>
(Retained earnings)	(916,690)	38,997	(862,693)
Total equity attributable to Company's shareholders	(2,911,771)	38,997	(2,872,774)
Non-controlling interests	(81,135)	5,961	(75,174)
Total equity	(2,992,906)	44,958	(2,947,948)
Deferred tax liability	(11,158)	(44,958)	(56,116)
Total liabilities	(644,494)	(44,958)	(689,452)

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved by the Board of Directors on 16 May 2022, corresponding to 15 Shawwal 1443H.