

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month period ended 31 March 2023

together with

INDEPENDENT AUDITORS' REPORT ON REVIEW



KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

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 2023 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 2023;
- the condensed consolidated statement of profit or loss for the three month period ended 31 March 2023,
- the condensed consolidated statement of comprehensive income for the three month period ended 31 March 2023,
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2023,
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2023; 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.

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

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 2023 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, 14 May 2023
Corresponding to 24 Shawwal 1444H

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<u>Note</u>	31 March <u>2023</u> (Unaudited) SR ('000)	31 December <u>2022</u> (Audited) SR ('000)
Assets			
Property, plant and equipment	7	2,073,224	2,101,446
Intangible assets		12,931	13,239
Investment properties		5,000	5,000
Investments in equity accounted investees	8	68,392	67,162
Equity instruments at FVOCI		106,643	108,885
Deferred income tax	13	21,221	21,221
Right-to-use assets		4,198	4,291
Non-current assets		2,291,609	2,321,244
Inventories		426,352	454,818
Trade receivables	10	258,974	220,587
Prepayments and other receivables		28,725	19,826
Cash and cash equivalents		292,792	263,874
Current assets		1,006,843	959,105
Total assets		3,298,452	3,280,349
Shareholder's 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		48,739	50,981
Retained earnings		745,357	696,275
Total equity attributable to the Company's shareholders		2,682,100	2,635,260
Non-controlling interests		86,960	87,102
Total shareholders' equity (after)		2,769,060	2,722,362

The attached notes 1 to 19 of these interim consolidated financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 March 2023

	<u>Note</u>	31 March <u>2023</u> (Unaudited) SR ('000)	31 December <u>2022</u> (Audited) SR ('000)
Total shareholder's equity (before)		<u>2,769,060</u>	<u>2,722,362</u>
Quarry rehabilitation provision	11	8,331	7,831
Long term loans and facilities	12	154,686	188,854
Employees' defined benefit obligations		53,610	52,948
Deferred tax liabilities	13-1	56,116	56,116
Lease obligations	9	<u>3,832</u>	<u>4,057</u>
Non-current liabilities		<u>276,575</u>	<u>309,806</u>
Long-term loans and facilities - current portion	12	48,078	42,789
Trade payables and accruals		169,558	173,914
Zakat and income tax payable		22,251	18,541
Dividend payables	17	12,307	12,314
Lease obligations	9	<u>623</u>	<u>623</u>
Current liabilities		<u>252,817</u>	<u>248,181</u>
Total liabilities		<u>529,392</u>	<u>557,987</u>
Total equity and liabilities		<u>3,298,452</u>	<u>3,280,349</u>

The attached notes 1 to 19 of these interim consolidated 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 2023

	Note	<u>2023</u> (Unaudited) SR ('000)	<u>2022</u> (Unaudited) SR ('000)
Revenue		240,091	259,262
Cost of sales		(173,358)	(190,145)
Gross profit		<u>66,733</u>	<u>69,117</u>
Selling and distribution expenses		(3,027)	(11,472)
General and administrative expenses		(12,006)	(13,239)
Operating income		<u>51,700</u>	<u>44,406</u>
Group's share of results of equity-accounted investees	8	1,327	2,689
Finance costs		(3,781)	(3,447)
Other revenues, net		3,232	2,124
Profit before zakat and income tax		<u>52,478</u>	<u>45,772</u>
Zakat		(3,710)	(3,000)
Income tax		--	(557)
Deferred income tax		269	--
Period profit		<u>49,037</u>	<u>42,215</u>
<u>Profit for the period attributable to:</u>			
Shareholders of the Company		49,179	41,901
Non-controlling interests		(142)	314
		<u>49,037</u>	<u>42,215</u>
<u>Earnings per share for the period attributable to shareholders of the Company (SR):</u>			
Basic	14	<u>0.49</u>	<u>0.42</u>
Diluted		<u>0.49</u>	<u>0.42</u>

The attached notes 1 to 19 of these interim consolidated 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 2023

	<u>Note</u>	<u>2023</u> (Unaudited) SR ('000)	<u>2022</u> (Unaudited) SR ('000)
Period profit		<u>49,037</u>	<u>42,215</u>
<u>Items of (loss) / other comprehensive income:</u>			
Items that are or may be reclassified subsequently to the statement of profit or loss:			
Unrealized (losses) / gains on investments in equity instruments at FVOCI		(2,242)	854
The Group's share in other comprehensive loss of equity-accounted investees	8	(97)	(48)
Other comprehensive (loss) / income		<u>(2,339)</u>	<u>806</u>
Total comprehensive income for the period		<u>46,698</u>	<u>43,021</u>
<u>Total comprehensive income attributable to:</u>			
Shareholders of the Company		46,840	42,707
Non-controlling interests		(142)	314
Total comprehensive income for the period		<u>46,698</u>	<u>43,021</u>

The attached notes 1 to 19 of these interim consolidated 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 2023

	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)
	Share capital SR ('000)	Share premium SR ('000)	Statutory reserve SR ('000)	General reserve SR ('000)	Foreign currency translation reserve SR ('000)	FVOCI equity instruments assessment reserve SR ('000)	Retained earnings SR ('000)			
Balance as at 1 January 2023 (audited)	1,000,000	293,565	500,000	95,000	(561)	50,981	696,275	2,635,260	87,102	2,722,362
<u>Total comprehensive income</u>										
Period profit	--	--	--	--	--	--	49,179	49,179	(142)	49,037
Other comprehensive loss	--	--	--	--	--	(2,242)	(97)	(2,339)	--	(2,339)
Total comprehensive income	--	--	--	--	--	(2,242)	49,082	46,840	(142)	46,698
Balance at 31 March 2023 (Unaudited)	1,000,000	293,565	500,000	95,000	(561)	48,739	745,357	2,682,100	86,960	2,769,060

The attached notes 1 to 19 of these interim consolidated 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 2023

	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)
	Share capital SR ('000)	Share premium SR ('000)	Statuary reserve SR ('000)	General reserve SR ('000)	Foreign currency translation reserve SR ('000)	FVOCI equity instruments assessment reserve SR ('000)	Retained earnings SR ('000)			
Balance as at 1 January 2022 (audited)	1,000,000	293,565	500,000	95,000	(561)	91,760	769,930	2,749,694	83,632	2,833,326
<u>Total comprehensive income</u>										
Period profit	--	--	--	--	--	--	41,901	41,901	314	42,215
Other Comprehensive Income ("OCI")	--	--	--	--	--	854	(48)	806	--	806
Total comprehensive income	--	--	--	--	--	854	41,853	42,707	314	43,021
Balance at 31 March 2022 (Unaudited)	1,000,000	293,565	500,000	95,000	(561)	92,614	811,783	2,792,401	83,946	2,876,347

The attached notes 1 to 19 of these interim consolidated financial statements.

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (UNAUDITED)

For the three-month period ended 31 March 2023

	<u>Note</u>	<u>2023</u> (Unaudited) SR ('000)	<u>2022</u> (Unaudited) SR ('000)
Income for the period before zakat and income tax		52,478	45,772
Adjustments:			
Depreciation on property, plant and equipment	7	34,950	34,776
Amortization of intangible assets		308	301
Amortization of right to use assets		93	93
Group's share of results of equity-accounted investees	8	(1,327)	(2,689)
Quarry rehabilitation provision		500	
Profit from sale of property plant and equipment		--	(32)
Finance costs		3,781	3,447
Employee defined benefit obligation charge for the period		1,310	1,089
		92,093	82,757
Changes in working capital:			
Trade receivables, prepayments and other receivables		(47,286)	(23,702)
Inventories		28,096	40,558
Trade payables and accruals		(3,014)	(12,474)
		69,889	87,139
Finance costs paid		(3,696)	(3,357)
Zakat and income tax paid		(1,073)	(557)
Paid employees' benefits		(648)	--
Net cash provided by operating activities		64,472	83,225
Investing activities			
Additions to property, plant and equipment	7	(6,358)	(8,961)
Proceeds from sale of property, plant and equipment		--	159
Financial investments at amortised cost	11	--	210,000
Net cash (used in) / generated from investment activities		(6,358)	201,198
Financing activities			
Repayment of term loans	12	(28,879)	(10,578)
Payment of lease obligations		(310)	(205)
Dividends paid	17	(7)	(22)
Net cash used in financing activities		(29,196)	(10,805)
Change in cash and cash equivalents during the year		28,918	273,618
Cash and cash equivalents as at the beginning of the period		263,874	143,436
Cash and cash equivalents as at end of the period		292,792	417,054
Significant non-cash transactions			
Transferred from Inventory to property, plant and equipment		370	--
Net profit from equity instruments at FVOCI		--	854

The attached notes 1 to 19 of these interim consolidated 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 2023

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 2023 and 31 December 2022.

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 2023 (31 December 2022): 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 2023 and 31 December 2022, 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 activity</u>	<u>Country of incorporation</u>	<u>Shareholding (%)</u>	
			<u>2023</u>	<u>2022</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
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three-month period ended 31 March 2023

1. COMPANY INFORMATION (continued)

Bahrain Cement Company has investment in the following subsidiary:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Shareholding (%)</u>	
			<u>2023</u>	<u>2022</u>
Qtrana Cement Joint Stock Private Company (“Qtrana 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 2023, and the condensed consolidated statement of financial position includes the assets and liabilities of the subsidiaries, as at 31 March 2023.

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 Chartered and Professional 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 2022 (“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 2023 are not necessarily indicative of the results that may be expected for the year ending 31 December 2023.

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 2023

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 2022.

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 2023

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.

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED

The accounting policies used by the Company for the preparation of these condensed interim financial statements are consistent with those followed in preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the adoption of the following amendments effective as at 1 January 2023 and do not have material impact on these condensed interim financial statements:

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

For the three-month period ended 31 March 2023

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED (continued)

<u>Standard / Interpretation</u>	<u>Description</u>
IFRS 17	Insurance contracts
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)
IAS 8	Definition of accounting estimate - amendment
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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.

<u>As at 31 March 2023</u> <u>(Unaudited)</u>	<u>Inside</u> <u>KSA</u> SR ('000)	<u>Outside</u> <u>KSA</u> SR ('000)	<u>Recon-</u> <u>ciliations</u> SR ('000)	<u>Total</u> SR ('000)
Total property, plant, equipment and property investments	1,392,003	782,989	(96,768)	2,078,224
Investment at FVOCI	106,643	--	--	106,643
Total other non – current assets	751,297	43,400	(687,955)	106,742
Total current assets	765,936	240,624	283	1,006,843
Total liabilities	333,777	407,064	(211,449)	529,392

<u>As at 31 December 2022</u> <u>(Audited)</u>	<u>Inside</u> <u>KSA</u> SR ('000)	<u>Outside</u> <u>KSA</u> SR ('000)	<u>Recon-</u> <u>ciliations</u> SR ('000)	<u>Total</u> SR ('000)
Total property, plant, equipment and property investments	1,411,600	791,614	(96,768)	2,106,446
Investment at FVOCI	108,885	--	--	108,885
Total non – other current assets	750,981	43,801	(688,869)	105,913
Total current assets	693,770	265,048	287	959,105
Total liabilities	329,974	439,494	(211,481)	557,987

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

For the three-month period ended 31 March 2023

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 March 2023 and 2022 are as follows:

**For the period ended 31 March
2023 (Unaudited)**

	<u>Inside KSA</u> SR ('000)	<u>Outside KSA</u> SR ('000)	<u>Recon- ciliations</u> SR ('000)	<u>Total</u> SR ('000)
Revenue from contracts with customers	160,706	79,385	--	240,091
Period's profits attributable to Company's shareholders	49,179	(1,096)	1,096	49,179
Finance costs	--	3,781	--	3,781
Depreciations and ammortizations	24,804	10,547	--	35,351

**For the period ended 31 March
2022 (Unaudited)**

	<u>Inside KSA</u> SR ('000)	<u>Outside KSA</u> SR ('000)	<u>Recon- ciliations</u> SR ('000)	<u>Total</u> SR ('000)
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 ammortizations	24,684	10,486	--	35,170

7. PROPERTY, PLANT AND EQUIPMENT

- 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:

	<u>For the three-month period ended 31 March</u>	
	<u>2023</u> (Unaudited) SR ('000)	<u>2022</u> (Unaudited) SR ('000)
Depreciations	34,950	34,776
Additions of property, plant and equipment	6,358	8,961

- The Company's property, plant and equipment as at 31 March 2023 includes projects in progress amounting to SR 435.5 million (31 December 2022: SR 438.3 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 410 million as at 31 March 2023 (31 December 2022: SR 410 million), which is expected to be completed in the third quarter of the year 2023.

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 2023

7. PROPERTY, PLANT AND EQUIPMENT (continued)

3. Group's property, plant and equipment are not pledged against standing loans as at 31 March 2023 and 31 December 2022.
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, 1406H (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>Percentage of Shareholding %</u>		31 March 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
			<u>2023</u>	<u>2022</u>		
Ready Mix Concrete and Construction Supplies Company	Kingdom of Jordan	Ready concrete production	36,67%	36,67%	21,945	20,516
Cement Products Limited Company	Kingdom of Saudi Arabia	Bags production Cement	33,33%	33,33%	46,447	46,646
					68,392	67,162

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

	31 March 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
Balance at the beginning of the period/ year	67,162	54,554
Group's share in equity-accounted investees' results for the period / year	1,327	12,678
The Group's share in comprehensive loss of equity-accounted investees	(97)	(70)
Balance at the end of the period/year	68,392	67,162

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

For the three-month period ended 31 March 2023

9. LEASE OBLIGATIONS

Lease liabilities were presented in the balance sheet as follows:

	31 March 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
Short-term obligation	623	623
Long-term obligation	3,832	4,057
	<u>4,455</u>	<u>4,680</u>

The interest expense resulting from the lease contracts during the period ended 31 March 2023 amounted to SR 85 thousand (31 March 2022: SR 90 thousand).

10. TRADE RECEIVABLES

Trade receivables comprise of the following:

	31 March 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
Trade receivables	220,540	184,458
Trade receivables - related parties (Note 16)	42,803	40,498
	<u>263,343</u>	<u>224,956</u>
Provision for impairment of trade receivables	(4,369)	(4,369)
	<u>258,974</u>	<u>220,587</u>

11. QUARRY REHABILITATION PROVISION

Based on the executive regulations of the Mining Investment Law issued by Ministerial Resolution No. 1006/1/1442 on December 24, 2020 and in accordance with Article No. 79 "Rehabilitation and Closing Works", the Company's management carried out an internal study to estimate and calculate the quantities of dusty materials to cover and protect exploration drilling and soil stabilization costs and rocky slopes and surfaces to be safe for humans and animals for all the Company's quarries This is based on the surrounding exploited areas in the quarries after the end of the mining period and the average cost per cubic meter based on previous experiences. A discount rate of 13.5% was used for the amounts estimated until the date of expiry of the licenses for quarries, estimated at twenty years. Rehabilitation provision calculating is impacted and is considered highly sensitive in case of change in the following key assumptions:

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

For the three-month period ended 31 March 2023

11. QUARRY REHABILITATION PROVISION (continued)

Quarry rehabilitation provision is represented in fair value of the expected cost for resurfacing the Company's quarry, and the movement in the provision is as follows:

	<u>2023</u> SR ('000)	<u>2022</u> SR ('000)
Balance at the beginning of the period/ year	7,831	--
Quarry rehabilitation costs of the period/ year	500	7,831
Balance at the end of the period/year	<u>8,331</u>	<u>7,831</u>

12. LONG TERM LOANS AND FACILITIES

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

	31 March <u>2023</u> (Unaudited) SR ('000)	31 December <u>2022</u> (Audited) SR ('000)
Current portion of term loans	48,078	42,789
Non-current portion of term loans	154,686	188,854
	<u>202,764</u>	<u>231,643</u>

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

	31 March <u>2023</u> (Unaudited) SR ('000)	31 December <u>2022</u> (Audited) SR ('000)
Balance at the beginning of the period/ year	231,643	256,608
Provided during the period/year	--	198,131
Provided during the period/year	(28,879)	(223,096)
	<u>202,764</u>	<u>231,643</u>

Loans contracts with the subsidiary company "Qatrana Cement Company" include the following covenants:

The Gearing ratio (total liabilities/total equity) must not exceed 100% throughout the loan period. Any realized profits should not be distributed in the event that there are amounts due from the principal and interest of the loan, except with the prior written approval of the Bank.

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

For the three-month period ended 31 March 2023

13. ACCRUED ZAKAT AND INCOME TAX

Zakat and tax status

ARABIAN CEMENT COMPANY

The Company finalized its zakat position until the year ended 31 December 2013, the Company has filed Zakat returns for the year ended 31 December 2014 upto 2018.

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 committee issued a decision to reduce the zakat differences by SR 9.2 million, so that the amount according to the Committee's decision became SR 1.04 million. The Company has escalated the aforementioned objection to the Tax Committees for Resolution of Tax Violations and Disputes (the "TCRTVD"), for consideration and approval, which is still under consideration by the committee 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. Whereas, ZATCA refused to deduct foreign investments, although foreign investments are investments in long-term associate companies that must be deducted from the zakat base, based on the executive regulations of the Zakat Law.

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.

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 to be SR 1.07 million under the adjusted assessment. The Company has escalated the aforementioned objection to the Tax Committees for Resolution of Tax Violations and Disputes. The committee issued a decision to reduce all the zakat differences by SR 1.07 million. The ZATCA has appealed the aforementioned resolution against the Appellate Committee for Tax Violations and Disputes Resolution (ACTVDR) for consideration and issuance of a decision regarding them, which is still under study by the committee 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. ZATCA has refused the deduction of deferred income tax from Zakat base, based on what is mentioned in the guideline issued by ZATCA.

The Company has submitted the Zakat returns for the year ended 31 December 2021 and obtained the unrestricted Zakat certificate for the year 2021. The ZATCA did not issue the final Zakat assessment for the mentioned year till to date.

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

For the three-month period ended 31 March 2023

13. ACCRUED ZAKAT AND INCOME TAX (continued)

Zakat and tax status (continued)

Qatrana Cement Company (subsidiary) – Jordan

Income tax returns were audited by the Income and Sales Tax Department until the end of 2020. The Company also filed income tax returns to the Department until the end of 2022.

With regard to sales tax, sales tax returns were audited by the Income and Sales Tax Department until the end of 2022. The Company also submitted sales tax returns to the Department for the end of March 2023.

The Income and Sales Tax Department reviewed the income tax for the Company for the year 2014 and issued its initial decisions and it issued preliminary decisions approving the carry over losses in the amount of 1.06 million dinars (SR 5.6 million) in return for the company's request to carry over losses in the amount of 8.75 million dinars (SR 46.2 million). resulting from a difference in the interpretation of the decision of the Investment Board exemptions. The retained losses from previous years were deducted before deducting the investment promotion exemption. Accordingly, the objection was submitted to the Objection Committee of the Income and Sales 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 of first instance to consider the dispute.

On 31 January 2023, the Court of First Instance issued its decision containing the cancellation of the contested decision previously issued by the objection committee, and decided to consider the retained losses for the year 2014 as an amount of 8.4 million dinars (SR 44.7 million) as stated in the lawsuit statement, and it also decided to include the Income and Sales Tax Department, fees and expenses, and an amount of one thousand dinars (SR 5.3 thousand) as attorney's fees. The abovementioned decision is appealable within (30) days. The Company did not calculate an additional provision for income tax as, according to the opinion of the legal advisor that the subsidiary has strong reasons to win this case, whereas, in other years, the Income and Sales Tax Department deducted the investment promotion exemption before deducting any carried forward losses for previous years.

a) Deferred tax assets and liabilities

Movement on deferred tax assets was as follow:

	31 March 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
Balance at beginning of period/year	21,221	21,950
additions and adjustments during the period / year	--	850
Transferred to the income tax provision during the period / year	--	(1,579)
Balance at end of the period / year	21,221	21,221

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

For the three-month period ended 31 March 2023

13. ACCRUED ZAKAT AND INCOME TAX (continued)

Zakat and tax status (continued)

Qatrana Cement Company (subsidiary) – Jordan (continued)

a) Deferred tax assets and liabilities (continued)

Movement on deferred tax liabilities was as follow:

	31 March 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
Balance at beginning of period/year	<u>56,116</u>	56,116
Balance at end of the period/year	<u><u>56,116</u></u>	<u><u>56,116</u></u>

The deferred tax assets and liabilities for the period ended 31 March 2023 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 20%, in addition to the national contribution rate of 1% (2022: 20% in addition to the national contribution of 1%).

14. EARNINGS 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 2023	31 March 2022
Profit for the period (SR in 000's)	<u>49,179</u>	41,901
Number of shares (weighted average - in thousands)	<u>100,000</u>	100,000
Basic earnings per share (SR)	<u><u>0.49</u></u>	<u><u>0.42</u></u>

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.

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

For the three-month period ended 31 March 2023

15. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 March 2023, the Group has contingencies represented in outstanding letters of guarantee and credits of SR 30.86 million (31 December 2022: SR 31.78 million).

- As at 31 March 2023, the Group has capital commitments related to production lines, facilities and factories of the Group amounted to SR 2.7 million (31 December 2022: SR 3.8 million) and there are guarantees amounting to SR 28.1 million (31 December 2022: SR 29.3 million) provided to local banks against financial facilities and borrowings for a subsidiary.
- There are lawsuits filed against the subsidiary with a value of JD 121 thousand, equivalent to SR 642 thousand, as at 31 March 2023 (as at 31 December 2022: JD 129, equal to SR 681 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.

16. RELATED PARTIES' DISCLOSERS

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 Relationship</u>
Ready Mix Concrete and Construction Supplies Company	Associate
Cement Products Limited Company	Associate
Rolaco Automotive and Heavy Equipment Company Limited	A company related to a BOD member
Group's BOD members	Other related parties
Key management and senior executives	Other related parties

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 2023

16. RELATED PARTIES' DISCLOSERS (continued)

- a) The following table summarizes related parties' balances as at 31 March 2023 and 31 December 2022:

		<u>Volume of transactions</u>		<u>Closing balance</u>	
		<u>For the three-month period ended 31 March 2023</u> (Unaudited) SR ('000)	<u>For the year ended 31 December 2022</u> (Audited) SR ('000)	<u>31 March 2023</u> (Unaudited) SR ('000)	<u>31 December 2022</u> (Audited) SR ('000)
<u>Balance due from related parties under trade receivables</u>					
Ready Mix Concrete and Construction Supplies Company "associate"	Sales	18,173	58,218	42,803	40,498

Due balances from related parties under other receivable balances

Ready Mix Concrete and Construction Supplies Company "associate"	Dividend	--	--	175	175
Cement Products Limited Company "Associate"	Purchases		18,271	--	285

Balance due from related parties under trade payables

Cement Products Limited Company "Associate"	Purchases	5,864	--	888	--
Rolaco Automotive and Heavy Equipment Company Limited	Purchases	--	290	--	--

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

	<u>For the three month period ended At 31 March</u>	
	<u>2023</u> (Unaudited) SR ('000)	<u>2022</u> (Unaudited) SR ('000)
Salaries and remunerations of the senior executives of the Company	1,460	1,440
Salaries and allowances Company's key management and Senior Executives in the subsidiary	190	190
Board of directors remuneration	675	675
Allowances for attending Board of Directors meetings at the Company	108	76
Allowances for attending Board of Directors meetings at the Company the subsidiary	36	52

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 2023

16. RELATED PARTIES' DISCLOSERS (continued)

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.

17. DIVIDEND PAYABLES

On 23 February 2023, the Company's Board of Directors recommended distributing cash dividends to shareholders for the second half of the year 2022 that amounted to SR 110 million, which represents SR 1.10 per share, which was approved during the seventy six ordinary general assembly meeting on 9 April 2023.

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 9 August 2022, the Company's Board of Directors recommended distributing cash dividends to shareholders first half of the financial year 2022 with an amount of SR 1.1 million, which represents SR 1.1 per share.

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

	31 March <u>2023</u> (Unaudited) SR ('000)	31 December <u>2022</u> (Audited) SR ('000)
Balance at the beginning of the period/ year	12,314	12,346
Declared during the period / year	--	260,000
Payment during the period / year	(7)	(260,032)
	<u>12,307</u>	<u>12,314</u>

18. SUBSEQUENT EVENTS

On April 9, 2023, the sixty-seventh Ordinary General Assembly meeting was held, where the Assembly approved the recommendation of the Board of Directors to distribute cash dividends in the amount of 110 million Saudi riyals to shareholders for the second half of 2022, at 1.10 Saudi riyals per share. In addition to what was distributed for the first half of the year 2022 at a value of 110 million Saudi riyals, thus the total profits distributed and proposed to be distributed for the year ending on 31 December 2022 is 220 million Saudi riyals.

On 26 April 2023, the Company has submitted the Zakat returns for the year ended 31 December 2022 and obtained the unrestricted Zakat certificate for the year 2022.

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved by the Board of Directors on 11 May 2023, corresponding to 21 Shawwal 1444H.