



SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

Stronger than ever



Annual Report 2012

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SAUDI CEMENT COMPANY

(A Saudi Joint Stock Company)

1433/1434 H – 2012 G

2012 Annual Report

For the 54th Ordinary General Assembly Meeting Held on
March 20, 2013, (8th Jumada I, 1434H.)



The Founder

*King Abdulaziz Bin
Abdulrahman Al Faisal
Al Saud*



*Custodian of the Two Holy Mosques
King Abdullah Bin
Abdul Aziz Al Saud*



*His Royal Highness
Crown Prince Salman bin
Abdul-Aziz Al Saud,
First Deputy Prime Minister
Minister of Defence*



Board of Directors



Mr. Omar Sulaiman Al-Rajhi
Chairman



Sheikh Abdulkarim A. El-Khereiji
Board Member (GMBH)



Sheikh Mohammed S. Balghonaim
Board Member



Engineer: Abdulla Abdulrahman
Al-Suhibani - Board Member



Sheikh Khaled Abdulrahman
Al-Abdulkarim - Board Member



Mr. Fahad Abdullah Al-Saleh
Board Member



Sheikh Sami Ali Al-Juffali
Board Member



Mr. Hamad Abdulla Al-Olayan
Board Member



Sheikh Khaled Abdulrahman
Al-Rajhi - Board Member



Dr. Walid Ahmed Al-Juffali
Board Member & Managing Director



Mr. Mohammed Ali Al-Garni
Board Member & Chief Executive
Officer



Vision - Mission and Values

VISION

To be world class producer of building materials and strive for excellence.

MISSION

SCC is one of the premier cement producers in the Kingdom.

SCC shall be recognized as the best cement Company in the region, with a reputation of having the highest standards in safety, health, environment, quality, costs, and advanced operation through a high performance team that is motivated and committed.

SCC shall exceed the expectations of its employees, customers, shareholders, and community.

VALUES

1. Profit

To achieve sufficient profit to provide an attractive return for our shareholders, and to finance our growth.

2. Customers

To provide our clients with quality products and services.

3. Our People

To provide an environment whereby our people can excel, develop, and grow with the Company.

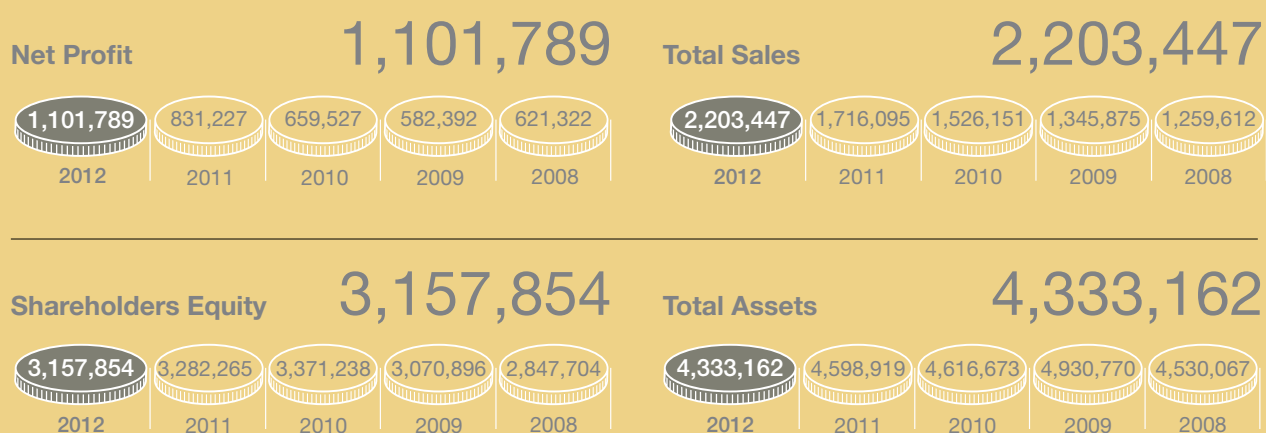
Operational Highlights

- SCC's sales volume of all cement types for 2012 totaled to 8,725,722 tons compared to 7,216,143 tons for 2011 i.e. an increase of approximately 20.9%.
- Total quantity of clinker produced during 2012 amounted to 7,403,565 tons compared to a quantity of 6,897,325 tons for 2011 i.e. approximately 7.3 % more.
- The total exported quantity during 2012 amounted to 420,614 tons, compared to 538,805 tons in 2011, i.e. a decrease of approximately 21.9%.
- SCC's production lines are equipped with the latest technologies for dust collection and applying the highest standards in environmental protection and pollution control, which surpass MEPA's requirements.
- Continued operating and maintaining of the Kilns new lines with high efficiency, which leads to increase in volume of clinker & cement, produced.
- SCC has maintained its supremacy in producing high quality types of cement products, and has the capability and flexibility to produce other types of cement, if economically viable.
- SCC implemented technical and administrative training courses during 2012 for 219 of its Saudi employees. Additionally, SCC carried out co-operative & summer training to train college and university students in its cooperative & summer training programs.
- SCC accredited with ISO 9001:2008 certificate from a specialized and accredited German Company (TUV NORD).
- SCC paid its 40% share of additional paid-up capital amounting to 4 million KD called by "Group International Company for Cement" during 2012.
- SCC has re-operated the old kilns No. 1, 2, 3 and 6 in order to keep up with the demand in the local market.



Financial Highlights

All figures expressed in SAR 000's



SR 000's	2012	2011	2010	2009	2008
Sales	2,203,447	1,716,095	1,526,151	1,345,875	1,259,612
Cost of Sales	(974,237)	(765,095)	(757,245)	(666,346)	(554,999)
Gross Income	1,229,210	951,000	768,906	679,529	704,613
General, Admin, & Marketing Exp.	(87,153)	(85,928)	(87,518)	(81,890)	(98,932)
Operating Income	1,142,057	865,072	681,388	597,639	605,681
Other Income	395	(12,508)	(4,950)	(143)	31,572
Zakat	(40,663)	(21,337)	(16,911)	(15,104)	(15,931)
Net Income	1,101,789	831,227	659,527	582,392	621,322

Klins Production Capacities

Klins Production Capacities (Operating & Suspended)

CLINKER

Annual Rated Capacity (tons)	11,200,000
Kilns	
Tons per day	2 x 10,000
Tons per day	1 x 3500
Tons per day	6 x 1500
Tons per day	1 x 725
Tons per day	2 x 300

Due to export ban 10 kilns were shutdown, their yearly production capacity are 4,600,000 tons

CEMENT

Annual Grinding Capacity (tons)	11,500,000
---------------------------------	------------

MILLS (CEMENT)

Tons per hour	3 x 280
Tons per hour	2 x 160
Tons per hour	3 x 120
Tons per hour	2 x 80

Cement Mills of old lines will be used to grind quantities over the grinding capacity of the new Mills

TYPE OF CEMENT PRODUCED

Ordinary Portland Cement (ASTM Type 1 Specification)
Sulphate Resisting Cement (ASTM Type V Specification)
Oilwell Cement (API Class G Specification) Under API License to use API Monogram
Special Cement of any type & Specification as per market demand



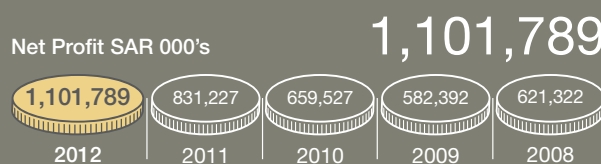
Board of Directors' Statement

Respected Shareholders,

The Board of Directors welcomes you to the 54th Ordinary General Assembly Meeting of Saudi Cement Company (SCC) and thanks you for attending this meeting.

The Board is pleased to present to you the "Annual Report" for the year ended December 31, 2012 together with the Financial Statements and the Auditors' Report related to that year.

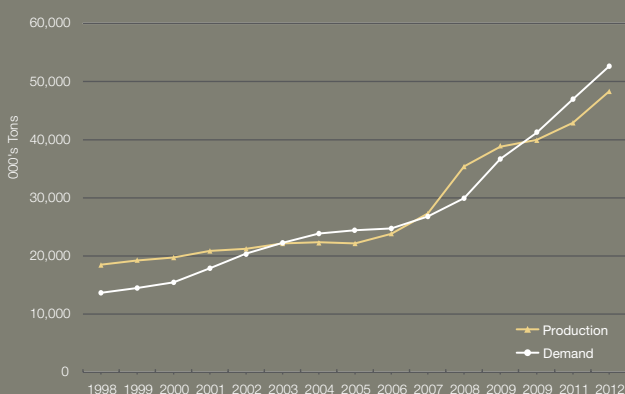
Net Profit SAR 000's



Activity - Production - Stock- Operation and Maintenance



Clinker Production & Cement Demand in KSA (1998-2012)



Main Activity

Saudi Cement Company's (SCC's) main and only activity is the manufacture and trade of cement and cement related products. Hence, the company is not producing any other product.

Comments on the company's operations and results related to that activity are as follows:

Production

Clinker Production

Total quantity of clinker produced during 2012 amounted to 7,403,565 tons compared to a quantity of 6,897,325 tons for 2011 i.e. an increase of 506,240 tons or approximately 7.3%.

The production resulted from operation of lines 7 and 8, the production efficiency of which has exceeded their designed capacity. In addition, there was production from Kiln (6), which was restarted on August 6, 2012 and the old Kilns (1, 2 and 3), which began re-operation during the month of December 2012.

Cement Production

Cement production for 2012 totaled 8,753,000 tons compared to 7,273,958 tons for 2011, i.e. an increase of 1,479,042 tons or approximately 20.3%.

Cement grinding and dispatch were mainly dependent on Hofuf Plant. Also, Ain Dar cement grinding and dispatch facilities were partially utilized for meeting cement sales by rail and additional requirements of the local market.

Clinker Stock

The clinker stock as of December 31, 2012 amounted to 506,528 tons, compared to a quantity of 1,935,396 tons as of December 31, 2011, i.e. a decrease of (1,428,868) tons or approximately (73.8%).

SCC succeeded in selling all the clinker produced during the year as well as parts of its clinker inventory (in cement form) due to positive utilization of rising demand for cement in the various geographical locations in the Kingdom.

Operation and Maintenance

SCC continued highly efficient operation and maintenance works by its own manpower. This resulted positively in reduction of cost per ton and in a clinker inventory suitable to some extent with its capacity which will help her in meeting the increase in local demand expected in the coming years by the grace of God Almighty and due to the infrastructure and housing projects announced by the Custodian of the Two Holy Mosques and also projects of the Public Sector and private individuals.

SCC has maintained its supremacy in producing its high quality types of cement products, and has the capability and flexibility to produce other types of cement, if that proves to be economically viable.



Marketing - Exports

Clinker Closing Stock in Saudi Arabia (1998-2012)



Introduction

The local demand for cement in Saudi Arabia has improved during 2012 and reached to around 52.7 million tons, compared to a total demand of 47 million tons for 2011 i.e. an increase of 5.7 million tons or approximately 12.1%. Total cement sales (local & export) for the year 2012 reached to 53.3 Million tons.

On the other hand, the total production in Saudi Arabia for the year 2012 was approximately 48.3 million tons of clinker, compared to 42.9 million tons for 2011, i.e. an increase of approximately 12.6%.

In spite of the increase in local production coupled with the stringent export restrictions, the clinker stock in all cement companies dropped to approximately 6.4 million tons at the end 2012 compared to 7.5 million tons at the end of 2011 i.e. a decrease of about (1.1) million tons or approximately (14.8%) due to the high increase in the local demand.

Total Sales

The improvement in demand led to an increase in SCC's sales volume of all cement types for 2012, which reached to 8,725,722 tons compared to 7,216,143 tons for 2011, i.e. an increase of 1,509,579 tons or approximately 20.9%.

The percentage growth in SCC's local sales for 2012 amounted to 24.4%, which is double the 12.1% growth in demand in Saudi Arabia for the year.

Exports

The total quantities exported during 2012 has reached 420,614 tons, compared to 538,805 tons in 2011, i.e. a decrease of (118,191) tons or approximately (21.9%).

The above decrease was mainly due to the economic and political issues that were encountered in this neighboring kingdom.

Geographical Analysis of Sales Revenue

Geographical analysis of Sales Revenue *

Most sales were made locally within Saudi Arabia, and a small portion was exported as permitted by the authorities under the ongoing export restrictions. Exports of Portland cement were confined to Kingdom of Bahrain.

The following table illustrates the geographical analysis of the company's sales revenue for 2012:

Details	SR (000's)	
	2012	2011
Local Market	2,091,343	1,606,042
Export Market	112,104	110,053
Total	2,203,447	1,716,095

*2012 audited financial statements of related companies were not available at the time of report preparation to enable inclusions of their revenues' analysis.

Current & Future Plans:

Currently, SCC has no plans for any expansion in its production facilities due to its inability to acquire any mining concession for raw materials at other geographical locations in the Kingdom where there are better marketing opportunities.

This is due to the fact that MINPET has restricted issuance of mining licenses to seven (7) licenses only for the time being, some of which were already put to public bids with conditions that prohibit existing cement companies from bidding for such licenses.

(a) Rehabilitation of Kilns:

Following stoppage of all old kilns as well as Kiln 6 during 2009 due to too high levels of clinker inventory and continuation of export restrictions, SCC's clinker production was confined to its two new lines 7 & 8, which started commercially at the beginning of the year 2009. The operating efficiency of these two lines has reached remarkable levels exceeding their designed capacity.

Local demand in Saudi Arabia grew considerably during the years 2011 and 2012 (an average growth of 13.9% for 2011 and 12.1% for 2012). It is expected that the coming years will witness higher percentages of growth by the grace of God Almighty and due to the infrastructure and housing projects announced by the Custodian of the Two



SCC's sales volume of all cement types for 2012, which reached to 8,725,722 tons compared to 7,216,143 tons for 2011, i.e. an increase of 1,509,579 tons or approximately 20.9%.



Current & Future Plans

Holy Mosques and also as a result of the many construction projects by the Public Sector and private individuals. With the Grace of Allah, Kiln 6 was reignited On 06 August 2012 (with designed capacity of 3500 tpd), and old kilns 1,2,3 (with limited designed capacity of 1325 tpd) were reignited during December 2012 as mentioned previously.

(b) Concentrating Cement Grinding at Hofuf Plant:

Currently, SCC mainly utilizes its grinding facilities at Hofuf Plant and only partially depends on the grinding facilities at its Ain Dar Plant to cater for the cement dispatches by Rail and also to meet rising demand in the local market.

SCC, however, aims to concentrate its grinding operations at its Hofuf Plant only in order to cut costs and to better serve its customers. As such, SCC is currently at the final stages of studying the required projects for the design, engineering and then installation of all the required rail tracks and wagon loading equipment at its Hofuf Plant thus enabling it to centralize all dispatches from Hofuf Plant whether by road or rail. It is expected that those projects will be awarded during Q1: 2013 and will be executed over a period of around 18 months from the start date.

Emphasis will also be placed on raising operating efficiency of grinding facilities at this plant to higher levels in order to meet the rising demand. Accordingly, the Board of Directors have resolved during its meeting held on Wednesday 07 November

2012 (22/12/1433H) to add two new mills with total designed capacity of 440 ton/hour, which are of new technology that raises milling efficiency and cement quality while meeting MEPA's environmental requirements. Subsequently, old cement mills at Ain Dar would be stopped due to their higher operating costs beside the additional clinker transportation charges from Hofuf plant to Ain Dar plant.

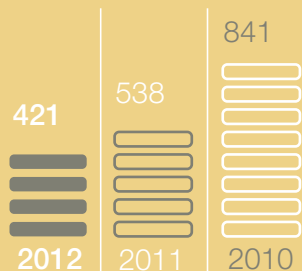
Risks facing the company:

Like other cement companies in Saudi Arabia, SCC faces some operational cost risks such as the possibility of fluctuations in the prices of raw materials and other production inputs as well as marketing risks such as decline in demand. However, due to the expectations of continued good growth of the Saudi Economy accompanied with continuous high government spending (as clearly evident in the 2013 Government Budget) we do not foresee that such risks will materialize in fact.

Total Exports

-21.9%

*Expressed in Thousand Tons



Environmental Protection - SIDF



SCC has replaced the Electrostatic Precipitators (EPs) for kiln 6 by Bag House filters, hence completing the whole dust emission control system at SCC's plant to reach the least dust pollution levels for all its facilities as required by the authorities.

Environmental Protection and Pollution Control

SCC has intensified its efforts with the concerned authorities for implementing measures to improve its facilities and promote a better environment.

In this regard, the design for the two new production lines has taken into consideration the latest technologies for dust collection that will lead to the highest standards in environmental protection and pollution control, which surpass MEPA's requirements. Meanwhile, the company has replaced the Electrostatic Precipitators (EPs) for kiln 6 by Bag House filters, hence completing the whole dust emission control system at SCC's plant to reach the least dust pollution levels for all its facilities as required by the authorities.

Loans *

The following table illustrates the total SIDF and local banks' Islamic Tawarruq loans, their movements during the year 2012 and the outstanding balances as at the end of 2012:

SR Million

The Bank	Duration	Balance as of 01/01/2012	Used during the year	Repaid during the year	Balance as of 31/12/2012
Riyadh	Revolving	70	270	340	0
SAMBA	Revolving	370	80	450	0
SFB	Revolving	0	600	200	400
SIDF	Eight Years	530	0	110	420
Total		970	950	1,100	820

*2012 audited financial statements of related companies were not available at the time of report preparation to enable inclusion of their loans, if any.

SCC would like to express its thanks and gratitude to SIDF management and staff for their sincere endeavors to support SCC objectives, and also to express its thanks and gratitude to the management and staff of the above local banks for the great confidence and trust reposed in our company, and look forward to continued mutually beneficial relationships.



Hiring Saudi Nationals

Net Income

+32.5%

Increase from last year

*Expressed in SR millions

1102



2012

831



2011

660



2010



Hiring and Training of Saudi Nationals

SCC implemented technical and administrative training courses during 2012, for (219) number of Saudi employees. Additionally, SCC carried co-operative & summer training to train college and university students in its cooperative & summer training programs.

SCC continued in its implementation of technical and administrative training courses to help in qualifying the employees and improve their efficiency.

The percentage of Saudi workforce as at the end of 2012 has reached about 52.5 %. SCC is adopting Saudization plan as a national strategic goal and will continue in this plan.

Social Responsibilities

Social Accountability:

The social accountability of the company is the impression left on the entire community by the company, which is not confined to only those who have direct work relationship with the company.

This is the rule which the company has established for dealing with rest of the community, reaching its various classes.

The community role is not only offering service, as well as system of work and commitment, and this is why the Cement Company has opened the door for its employees so as to cooperate in various community voluntary works, those work which offered by the company as part of its identification or have been supported by the company to sustain its values.

This method reforming the collective interior mind for all starting from the officers and end of the whole sort of community and its formations – this will beautifying the image of the company and bringing shining portrait and good sample which will be an example in the scope of social accountability and the community will be gaining a variety of benefits in development, relief health awareness and educational areas.

The issue is not just printed or published news for good kindness have been taken place; the issue is beyond that forming new pillars and supporting variety of activities which participated in rising up healthy, relieving and educational level.....

Social Charitable Societies are:-

El-bir charitable society at eastern area, El-bir charitable society at Ehsa province, charitable society for cramming the Holy Qur'an at Ehsa province, El-umran charitable society,

Fatat El-ehsa charitable society, Elouon charitable society, Elhilaila charitable society, Commiseration charitable society, Graces charitable society, Elmansoura charitable society, Women Social Services charitable society, lindness caravan for social services at Dammam, Elbir charitable society at Kilabiya, Eibatalia charitable society, Elmurah charitable society, Eljishsha charitable society and Eljifar charitable society .

Specialized Charitable Society are:-

Medical compassion charitable society, Saudi Arabian Cancer patients custody charitable society, charitable society for Drugs recoveries and Mental effectives, Saudi Arabian charitable society for diabetics and Adenoma, charitable society for combating smoking, charitable society for caring and rehabilitating disables at Elehsa and charitable society for assisting marriage and family custody at Elehsa.

Moreover, the company has offered vital care for several ceremonies and carnivals like Diamond Custodian for cultural Hajr market which been conducted by the Commercial Chamber at Elehsa, and custody the school programmes that supporting school health which belong to discipline and education board and Sliver Custodian for attributing good farmers which conducted by drainage and irrigation council at Elehsa and care of we all producers programmer which conducted by Fatat Elehsa society and participating in the protection of we are all relieves in collaboration with Eljifr general hospital at Elehsa province and organizing the second painting programme regularly with participation of Elatheim Mall complex at Elehsa and organizing several visits for patients like Elameer Suood Ibn Jelwi at Elmabaraz and Prince Sultan Heart hospital Al Elhafoof.





Thrift Saving Program - Quality Certificates

Emergency and Trauma Center at National Guard Hospital:

Because of the genuine believes of the company administration for emphasizing the social role, the extraordinary general assembly has accepted upon the administration board recommendation dated on 04/06/1431 – 18/05/2010 to allocate an amount of (50) million SR only (fifty million SR) from the accepted reserve money for the purpose of constructing Emergency and Trauma Center at National Guard Hospital at Elehsa province. In coordination with the National Guard Administration they stated that contracts for the first phase's projects have already been awarded, and they expect second phase's projects, which include the aforementioned Emergency & Trauma Center's financing, will commence by the end of 2013.

Thrift Saving Program for SCC employees.

The company contributes to a Thrift Savings Program for its employees that was approved by the then Ministry of Labor & Social Affairs on 11/05/1414H corresponding to 27/10/1993 to motivate them to exert their best efforts in servicing the Company, and increase their loyalty.

The following is the movement of the Thrift Saving Program During the year.

Description	Amounts in SR
Balance at the beginning of the year	6,448,018
Additions during 2012	1,009,226
Deletions during 2012	644,451
Balance at the end of the year	6,812,793

Quality Certificates:

SCC continued its application of, and compliance with, international Quality Management Systems, and maintained its ISO 9001:2008 certifications obtained from specialized and accredited German Company (TUV NORD) for the Hofuf and Ain Dar Plants. This reassures the commitment of SCC towards the full compliance and implementation of the quality management programs in all its internal administration and production / technical processes with the purpose of attaining the desired level of efficiency, effectiveness, and continuous improvement for all SCC's different operating sectors and functional lines.

Also, SCC continued to comply with quality standards of the Saudi Arabian Standards Organization (SASO), as well as the special quality requirements of some neighboring GCC countries.

SCC has also maintained the (CE) Certification of Conformity issued by the Belgian Certification Body (CRIC) for its products at Ain Dar Plant.

Furthermore, SCC continued to comply with the requirements of the American Petroleum Institute (API).

SCC continued to comply with quality standards of the Saudi Arabian Standards Organization (SASO), as well as the special quality requirements of some neighboring GCC countries.



Board of Directors Related Matters

Board Membership / classification.

The Board of Directors consists of eleven (11) members; the classification of each member is as indicated:

Name of Board Member	Designation	Classification
Omar Sulaiman Al-Rajhi	Chairman	Independent
Walid Ahmed Juffali	Board Member & Managing Director	Executive
Abdulkarim A. El-Khereiji (GMBH)	Board Member	Independent
Mohammed S. Balghonaim	Board Member	Independent
Abdulla Abdulrahman Al-Suhibani *	Board Member	Non-Executive
Khaled Abdulrahman Al-Abdulkarim	Board Member	Independent
Fahad Abdullah Al Saleh **	Board Member	Non-Executive
Sami Ali Juffali	Board Member	Independent
Hamad Abdulla Olayan	Board Member	Non-Executive
Khaled Abdulrahman Al-Rajhi	Board Member	Non-Executive
Mohammed Ali Al Garni	Board Member & Chief Executive Officer	Executive

* Representative of General Organization for Social Insurance.

** Representative of General Organization for Retirement.

It's worth mentioning that the 53rd Shareholders' General Assembly has convened on 22/12/1433 H corresponding to 07/11/2012, and elected a new Board of Directors for the term from 01/01/2013 to 31/12/2015, made up of the following:

Abdulkarim A. El-Khereiji (GMBH), Mohammed S. Balghonaim, Walid Ahmed Juffali, Abdulla Abdulrahman Al-Suhibani (representative of General Organization for Social Insurance), Khaled Abdulrahman Al-Abdulkarim, Fahad Abdullah Al Saleh (Representative of General Organization for Retirement), Sami Ali Juffali, Hamad Abdulla Olayan, Abdulrahman Suleiman Al-Rajhi, Khaled Abdulrahman Al-Rajhi, Mohammed Ali Al Garni.

Regrettably your Board has lost during the year Sheikh/ Abdulkarim A. El-Khereiji (God's Mercy Befall Him), who had died on Sunday 11/01/1434H (25/11/2012). The Chairman & members of the Board and the company's management & employees offer their sincere condolences and commiserations to his family, and beg Allah (SWT) to shower Sheikh Abdulkarim with his mercy & forgiveness and accept him in heavens with the distinguished believers & righteous.

It's worth mentioning that the Board of Directors at the start of its new term has appointed Mohamed Abdulkarim El-Khereiji to fill the vacant Board's position, and shall request your General assembly to ratify this appointment.

The Board of Directors would like to thank departing members, and welcome new members, and wish all success.



Board Members' Meetings and Attendance.

The Board of Directors held 4 (four) times during 2012 and their attendance register is as indicated:

Name of Board Member	Attendance register			
	28/1/2012	14/3/2012	2/6/2012	7/11/2012
Omar Sulaiman Al-Rajhi	✓	✓	✓	X
Walid Ahmed Juffali	✓	✓	X	✓
Abdulkarim A. El-Khereiji (GMBH)	✓	✓	✓	X
Mohammed S. Balghonaim	✓	✓	X	✓
Abdulla Abdulrahman Al-Suhibani	✓	✓	✓	✓
Khaled Abdulrahman Al-Abdulkarim	✓	✓	✓	✓
Fahad Abdullah Al Saleh	✓	✓	✓	✓
Sami Ali Juffali	✓	✓	X	✓
Hamad Abdulla Olayan	✓	✓	✓	✓
Khaled Abdulrahman Al-Rajhi	✓	✓	✓	✓
Mohammed Ali Al Garni	✓	✓	✓	✓

✓ Attending X Absent

Board of Directors Remuneration and Other Compensation paid during 2012:

The Chairman and the Members of the Board did not receive any remunerations or privileges other than those clearly mentioned in the "Appropriation of Profits" which were made in accordance with Article (46) of SCC's Bylaws.

The below statement shows the remuneration and expenses paid for each Board Member during 2012:

Schedule

Saudi Riyal

Name of Board Member	Yearly Remuneration	Other compensations	Total
Omar Sulaiman Al-Rajhi	200,000	16,600	216,600
Walid Ahmed Juffali	200,000	206,230	406,230
Abdulkarim A. El-Khereiji (GMBH)	200,000	12,000	212,000
Mohammed S. Balghonaim	200,000	12,000	212,000
Abdulla Abdulrahman Al-Suhibani	200,000	16,600	216,600
Khaled Abdulrahman Al-Abdulkarim	200,000	12,000	212,000
Fahad Abdullah Al Saleh	200,000	16,600	216,600
Sami Ali Juffali	200,000	12,460	212,460
Hamad Abdulla Olayan	200,000	12,000	212,000
Khaled Abdulrahman Al-Rajhi	200,000	12,000	212,000
Mohammed Ali Al Garni	200,000	12,000	212,000

Board of Directors Related Matters (Continued)

Board of Directors Related Matters (Continued)

SCC's Top Five Executives Remuneration paid in 2012:

In SR (000's)

Description	5 Top Executives including CEO & Finance Manger
Annual Salaries	2,767
Annual Allowances	1,939
Annual Bonus	2,455
Annual Performance Incentives	3,000

Penalty by the Capital Market Authority (CMA):

The Capital Market Authority (CMA) has imposed a penalty on SCC of SR 50,000 (Fifty thousand Saudi Riyals) vide its letter No 7/2256 dated 29/05/1433H. (April 21, 2012G) due to omission from the Board of director's report attached to the financial statements the year 2011 the corporate governance provisions that have not been applied as mandated by Para (A) of Article 9 of Corporate Governance Regulations as regards Para (i) of Article 5 "shareholder shall be enabled to examine the minutes of the General Assembly; the company shall provide the Authority with a copy of those minutes within 10 days of the convening date of any such meeting" and Para (D) of Article 10 "Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly" and reasons for non-application, which is considered a violation.

The company has paid the penalty, and worked to implement Board of Directors' directions to comply with Corporate Governance Regulations, other CMA's and official regulatory requirements. It's worth mentioning that the aforementioned Para (D) of Article 10 shall be put to Shareholders' approval during the forthcoming 54th AGM as a prerequisite for its adoption by the company.

As concerns the SR 50,000 penalty mentioned in the Board of Directors' 2011 report, and in respect of which SCC had raised a "Grievance Claim" to the Committee for Resolution of Securities Disputes (CRSD) in Riyadh on 27/11/2011. SCC did receive on 26/01/2013 a preliminary Committee's decision denying its "grievance Claim".

Interests and Rights of Board Members, their wives and dependent children in the Shares of the Saudi Cement Company:

Name	No. of Shares		Change (Share)	Percentage of change
	Beginning of the year	End of the year		
Abdulkarim A. El Khereiiji (GMBH)	3,113,391	3,113,391	-	-
Mohammed S. Balghonaim	202,684	202,684	-	-
Walid Ahmed Juffali	4,500	4,500	-	-
Abdulla Abdulrahman Al-Suhibani	Not Owner	Not Owner	-	-
Khalid Abdulrahman Al Abdulkarim	17,137	17,137	-	-
Fahad Abdullah Al Saleh	1,500	1,500	-	-
Sami Ali Al Juffali	1,500	1,500	-	-
Hamad Abdulla Olyan	1,500	1,500	-	-
Mohammed Ali Al Garni	1,500	1,500	-	-
Omar Sulaiman Al Rajhi	12023	12023	-	-
Khalid Abdulrahman Al Rajhi	12,206,002	12,163,252	(42,750)	(0.35)

Remarks:

1. There are no listed debt instruments of the Company or any of its related companies.
2. There is no any interest, contractually based securities, and subscription rights of the directors, and their relatives in the shares of any of its related companies.



Interests and Rights of Executive Management, their wives and dependent children in the Shares of Saudi Cement Company.

Name	No. of Shares		Change (Share)	Percentage of change
	Beginning of the year	End of the year		
Mr. Hussain Bin Mansi Naser Abu Taki – Sales Manager	14,700	14,700	-	-
Mr. Khalifah Bin Saad Al-Dakheel – Relations & Support Services Manager	483	483	-	-
Mr. Saeed Bin Saleh Ahmad Al-Zahrani – Information Technology Manager	1,000	1,000	-	-

Remarks:

There is no any interest, contractually based securities, and subscription rights of the senior executives, and their relatives in the shares of any of its related companies.

Works/Contracts of SCC in which a Board Member, CEO, or CFO or any party related to any of them have an interest:

The Company has awarded the contract for 2012 insurance services (excluding medical insurance) to Wataniya Insurance Company (a related party to Dr. Walid Ahmed Juffali, who's a Board Member of Wataniya Insurance Company) after winning the bid that was invited during 2011. The total insurance premiums that have accrued on the various insurance policies during 2012 amounted to about SR. 9.3 million including marine insurance on company imports and rail cement cargos as well as insurance covers on additions to tangible assets during the year.

Board Members Holding Directorships in other Saudi Joint Stock Companies:

The following Board Members hold directorship in other Joint Stock Companies:

Name of Board Member	Name of Listed Company
Walid Ahmad Juffali	<ul style="list-style-type: none"> - Wataniya Cooperative Insurance Company-Jeddah - Group International Cement Company, Kuwait (representative of SCC) - Saudi National Insurance Company, (Bahraini Closed Joint Stock Company) - Ibrahim Juffali & Brothers (Closed Joint Stock Company)
Khaled Abdulrahman Al-Rajhi	<ul style="list-style-type: none"> - Al-Bilad Bank - Saudi Telecom Company (ended on 11/4/2012) - Saudi United Company for Co-operative Insurance "Wala" - Takween Advanced Industries Co. - Arabian Tanami Co. (closed Joint Stock) - Dana Gas –U.A.E
Khaled Abdulrahman Al-Abdulkarim	<ul style="list-style-type: none"> - Samba Financial Group - Gulf Union Cooperative Insurance Company Effective Non. 17, 2012
Abdulkarim A. Al- Khereiji (GMBH)	<ul style="list-style-type: none"> - Arabian Ace Cooperative Insurance Co. - AL-Dhahran Exhibition Company (Closed Joint Stock)
Mohammed Ali Al Garni – (Representative of Saudi Cement Company)	<ul style="list-style-type: none"> - United Cement Company (Bahraini Closed Joint Stock Company) - Group International Cement Company(Kuwaiti Closed Joint Stock Company) - Cement Product Industry Co. Ltd. - KSA
Hamad Abdullah Olyan – (Representative of Saudi Cement Company)	<ul style="list-style-type: none"> - United Cement Company (Bahraini Closed Joint Stock company)

Audit Committee - Nominations & Remunerations Committee

Audit Committee:

The Audit Committee members were:

Hamad Abdulla Olayan	Chairman
Khalid Abdulrahman Al-Rajhi	Member
Dr. Ahmad Abdulla Al Maghamis	Member

The committee has performed its duties and responsibilities through Seven meetings held during the year. Its most important duties and responsibilities were: Discussions of the Quarterly and yearly Financial Statements before being reported to the Board of Directors; recommendations to the Board for appointment, demission and determining the fees of the External Auditors; follow up of the work of the appointed External Auditors; studying the internal control system and giving a written report in this regard; supervising the company internal audit department and studying its reports and following up on the implementation of corrective actions of all observations in the internal audit reports.

Nominations & Remunerations Committee:

The Nominations & Remunerations committee members were:

Walid Ahmed Juffali	Chairman
Abdulkarim Abdulaziz Al-Khereiji (GMBH)	Member
Khaled Abdulrahman Al-Abdulkarim	Member

The committee has performed its duties and responsibilities through two meetings held during the year. Summary of the most important duties and responsibilities are: recommend to the Board nomination of members; review the Board structure and recommend the possible changes that can be made; define clear and definitive policies for the compensation & remuneration of the Board members and the Executive Management on the basis of their performance; and to insure the independency of the independent Board members on yearly basis.

Related Companies:

SCC owns shares in the following associated companies:

Company name	% age of ownership	Established at	Country of operation	Main activity
1. United Cement Company (Bahraini closed Joint Stock Company) Issued shares one million @ one BD nominal value/ share and there are no issued debt instruments	36%	Bahrain	Bahrain	Handling and transporting cement in Bahrain
2. Cement Product Industry Co. Ltd. (Saudi Limited Liability Company). 18,000 issued shares @ SR 1,000 nominal value/share.	33.33%	Jeddah, KSA	KSA	Manufacturing and selling of paper bags for cement packing.
3. Group International Cement Company (Kuwait closed Joint Stock Company) Number of shares issued 60 Million @100 Kuwait Fils nominal value/share and there are no issued debt instruments.	40%	Kuwait	Kuwait	Trading and packing of Cement & Bulk Products (Activities not yet started)



Associated Companies - Corporate Governance

New investment in Kuwait

Subsequent to SCC's Board of Director's approval on Tues 3/12/1431H (19/11/2010) to invest together with other shareholders from Kuwait in a new "Closed Stock Company" in Kuwait, the main activity of which are cement and bulk products trading and distribution in Kuwait, SCC has subscribed by 40% in establishing Group International Cement Company. The Memorandum of Association and the Company's By Laws were signed at the Notary Public in Kuwait on 25/11/1432H corresponding to 23/10/2012 G. The Authorized Capital of the company is ten (10) million KD distributed on one hundred (100) million shares of one hundred (100) Fils per share, while the Paid Up capital is two (2) million Kuwaiti Dinar. SCC has paid the amount of eight hundred thousand (800,000) KD for its entire share of the paid up capital. On 22/11/1433H (08/10/2012) SCC paid KD 1,600,000 (One million six hundred thousand) for its 40% share of additional paid-up capital called by Group International Cement Company. Hence, SCC has paid a total of KD 2,400,000 (two million four hundred thousand) for its 40% share of current paid-up capital of Group International Cement Company amounting to KD 6 (six) million.

Corporate Governance

SCC has already prepared its own Corporate Governance Charter, which was approved by the Board of directors on 22nd of Safar 1430H corresponding to 17/2/2009. SCC is currently applying all the Corporate Governance Regulations 'provisions, except for the following:

No.	Pertinent Article/Para	Reasons for non-adoption
1	6/(b) " Cumulative voting method shall be applied for the election of Board Members"	will be applied once it becomes mandatory.
2	6/(d) " Investors who are legal persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments".	Not mandatory by regulation beside non-availability of mechanism for execution so far.
3	10/(d) " Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly".	Will be applied once the AGM approves these policies, standards and procedures during its meeting of 20 March 2013.
4	10/(e) "Outlining a written policy that regulate the relationship with stakeholders with a view to protecting their respective rights; in particular, such policy must cover ..etc."	Not mandatory by regulation and the policy is under preparation
5	12/(i) " Legal person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors".	will be applied once it becomes mandatory.

Final Accounts

Final Accounts

General Disclosure:

The financial records were prepared in the proper manner according to generally accepted accounting principles appropriate to the nature of the Company, and with no deviation from GAAP promulgated by SOCPA. SCC has internal control procedures that are prepared properly and are applied effectively. There is no doubt whatsoever on the ability of SCC to continue as a going concern.

Results of Annual Audit of the effectiveness of internal control procedures

The Internal Audit Department of the company implements a continuous operational audit program to ensure the effectiveness of internal control system in safeguarding the company assets, and assess operational risks and the adequacy of performance effectiveness. The internal auditing programs did not show any material weakness in the internal control system of the company. Also, the External Auditors conduct usually an evaluation of that system within the process of their regular audit of the company final financial statements, and has the right of access to all the reports of the internal audit committee and the internal audit department reports for the period subject to their audit.

5 years' Balance Sheets:

(SR 000's)

Description	Years				
	2012	2011	2010	2009	2008
Current Assets	801,607	936,095	870,476	1,035,064	699,564
Current Liabilities	767,386	824,477	735,555	1,299,140	1,319,795
Working Capital	34,221	111,618	134,921	(264,076)	(620,231)
Other Long Term Assets	185,750	146,678	378,088	338,238	2,960,688
Fixed Assets	3,345,805	3,516,146	3,368,109	3,557,468	869,815
Total Assets	4,333,162	4,598,919	4,616,673	4,930,770	4,530,067
Long Term Liabilities	72,922	72,177	69,080	73,934	92,568
Long Term Loans	335,000	420,000	440,800	486,800	270,000
Other Liabilities	-	-	-	-	-
Total Liabilities	1,175,308	1,316,654	1,245,435	1,859,874	1,682,363
Paid up Capital	1,530,000	1,530,000	1,530,000	1,020,000	1,020,000
Retained Earnings & Reserves	1,627,854	1,752,265	1,841,238	2,050,896	1,827,704
Shareholders Equity	3,157,854	3,282,265	3,371,238	3,070,896	2,847,704
Total Liabilities & hareholders' Equity	4,333,162	4,598,919	4,616,673	4,930,770	4,530,067



Final Accounts - Profit Distribution Policy

5 years' Income Statements:

(SR 000's)

Description	Years				
	2012	2011	2010	2009	2008
Sales	2,203,447	1,716,095	1,526,151	1,345,875	1,259,612
Cost of Sales	(974,237)	(765,095)	(757,245)	(666,346)	(554,999)
Gross profit	1,229,210	951,000	768,906	679,529	704,613
General Adm. & Selling Exp.	(87,153)	(85,928)	(87,518)	(81,890)	(98,932)
Operating Income	1,142,057	865,072	681,388	597,639	605,681
Other Income	395	(12,508)	(4,950)	(143)	31,572
Zakat	(40,663)	(21,337)	(16,911)	(15,104)	(15,931)
Net Income	1,101,789	831,227	659,527	582,392	621,322

Material Variations in Operational results

(SR 000's)

Details	2012	2011	Changes	% of change	Reasons
Profit from operation	1,142,057	865,072	276,985	32,0%	Increased return from sales due to increased local demand, reduction in Islamic finance costs, and increase in other income.
Net Profit	1,101,789	831,227	270,562	32,5%	

Due Regulatory Payments:

(SR 000's)

Details	Years	
	2012	2011
Zakat & Income Tax	28,591	22,583
General Organization for Social Insurance	706	741
Raw Materials Exploitation Fees	57,026	46,303

Company's Profit Distribution Policy

The Company distributes the annual net profit after deducting all general and administrative expenses and all other costs and provision for Zakat as follows:

- 10% of the net profit to formulate the Statutory Reserve, and it is the right of the Ordinary General Assembly to stop contribution to that reserve when it reaches 50% of the paid up capital.
- It is also the right of the Ordinary General Assembly based on Board of Directors' recommendation, to set aside not less than 5% of the net profit to formulate an agreeable Reserve.
- Distribute out of the remaining profit the first portion of dividend to shareholders representing 5% of paid up capital.
- After all the above appropriations, appropriate a maximum of 10% of the remaining profit as Directors Fees to the Board Members, but not to exceed the maximum limit of SR 200,000 to each member.
- Subsequently, It is possible to distribute all (or part of) the remaining profit as additional Dividend to Shareholders, or carry it forward (totally, or partially) to next year, in accordance with Board of Directors' recommendation.

Appropriation Account



Appropriation Account

In its meeting on 12/07/1433 H (02/06/2012) SCC's Board of Directors has decided on distribution of interim dividend for the first half of the year 2012 at the rate of Saudi Riyals Three and half (SR3.5) per share representing 35% of nominal paid up capital and totaling SR. 535.5 million to shareholders registered on Tadawul as at close of market on Wednesday, 14/08/1433H (04/07/2012G) and payment of this interim dividend started on 26/08/1433H (16/07/2012G).

Also, in accordance with Article (46) of the Company By Laws, the Board of Directors recommends to your General Assembly the approval of its recommendation at its Meeting dated 24 Rabi Al-Awal 1434 corresponding to 05 February 2013 to distribute interim dividends for the second (2nd) half of 2012 at the rate of Saudi Riyals Three and Fifty Halalas (SR3.50) per share representing 35% of nominal paid up capital and totaling SR. 535.5 million to shareholders registered on Tadawul records as at close of market on 20 March, 2013, the scheduled date of your forthcoming General Assembly meeting..

If your General Assembly approves this distribution the total dividend for the year 2012 will hence be Saudi Riyals Seven (SR7) per share i.e. 70% of nominal paid up capital.

Below is the recommended profit appropriation:

	(SR 000's)
Net profit	1,101,789
Less: Statutory Reserve(Balance to reach 50% of Paid-up Capital).	105,925
	995,864
Less: First portion of dividend to shareholders of 5% of paid-up capital (SR1,530 millions)	76,500
	919,364
Less: Directors fees	2,200
	917,164
Add: Profits brought forward from previous year	332,490
	1,249,654
Less: Additional dividend to shareholders of 65% of paid up capital (SR1,530 millions)	994,500
Balance to be carried forward to next year	255,154



Board of Directors Recommendations

The percentage of Saudi workforce as at the end of 2012 has reached about 52.5%. SCC is adopting Saudization plan as a national strategic goal and will continue in this plan.



Board of Directors' Recommendations

The Board of Directors recommends the following resolutions to the forthcoming Ordinary General Assembly:-

1. Approve the Annual Report for year 2012.
2. Approve the Financial Statements and the External Auditors' report for the year ended December 31, 2012.
3. Absolve the members of the Board of Directors from all responsibilities and obligations related to the previous period.
4. Approve the Board of Directors' recommendations for distribution of dividends for the year 2012 at the rate of SR 7 per share representing 70% of the nominal value of the share of which SR 3.5 per share was already distributed for the first half of the year, Entitlement for the second half dividend of SR3.5 per share shall be to shareholders on Tadawul's records on market close of this General Assembly meeting's day.
5. Approve the appointment of Company's External Auditors, as recommended by the Audit Committee, for the audit of 2013 final financial statements and review of quarterly preliminary financial statements and determine their fees or select other auditors.
6. Approve the laying down of specific and explicit policies , standards and procedures, for the membership of the Board of Directors in accordance with the provisions of Para (d) of Article 10 of the Corporate Governance Regulations.
7. Ratification of the Board's decision to appoint Mr. Mohammed AbdulKarim A.ElKhereiji as a new member of the Board to fill the vacant position and complete the term of his predecessor for the current session.
8. Ratification of stoppage of 10% appropriation of net profits as a legal reserve since it has reached 50% of paid-up capital.

Final Statement

The Board of Directors expresses its appreciation and gratitude to all SCC shareholders for their confidence and support and prays to God Almighty for His Blessings to our country and to our leaders, His Majesty the Custodian of the Two Holy Mosques King Abdulla Ibn Abdulaziz Al-Saud, and HRH Crown Prince Salman Ibn Abdulaziz Al-Saud Deputy Prime Minister & Minister of Defense, and HRH Mugrin Ibn Abdulaziz Second Deputy Prime Minister

The Board of Directors also extends its thanks and gratitude to all government departments and private sector entities and to all SCC's customers and suppliers for their continuous support; and, last but not least, to the Company employees for their continued efforts and their will to serve the Company most efficiently and diligently.

May God bless you all.

The Board of Directors



Financial Statements and Auditors' Report

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Auditors Report

To:
THE SHAREHOLDERS OF
SAUDI CEMENT COMPANY
Dammam, Saudi Arabia

AUDIT SCOPE:

We have audited the accompanying balance sheet of Saudi Cement Company (A Saudi Joint Stock Company) as of December 31, 2012 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended including the related notes from 1 to 22. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

UNQUALIFIED OPINION:

In our opinion, the accompanying financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of Saudi Cement Company as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Kingdom of Saudi Arabia; and
- Comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements..

For Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
License No. 362

Rabi 'I, 28, 1434
February 9, 2013



Balance Sheet

As of December 31, 2012

	Notes	2012 SR 000	2011 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	226,682	231,717
Accounts receivable	4	205,434	173,830
Inventories	5	322,714	478,867
Prepaid expenses and other debit balances		46,777	51,681
Total current assets		801,607	936,095
Non-current assets			
Investments	6	97,506	79,215
Fixed assets, net	7	3,345,805	3,516,146
Capital work in progress	8	88,244	67,463
Total non-current assets		3,531,555	3,662,824
TOTAL ASSETS		4,333,162	4,598,919
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Islamic Tawarruq loans	9	400,000	440,000
Saudi Industrial Development Fund (SIDF) loan - current portion	12	85,000	110,000
Accounts payable	10	32,891	43,512
Dividends and other payables to shareholders		110,664	112,637
Accruals and other credit balances	11	138,831	118,328
Total current liabilities		767,386	824,477
Non-current liabilities			
Saudi Industrial Development Fund (SIDF) loan	12	335,000	420,000
End-of-service indemnities	13	72,922	72,177
Total non-current liabilities		407,922	492,177
Shareholders' equity			
Paid up capital	1	1,530,000	1,530,000
Statutory reserve	14(a)	765,000	659,075
Voluntary reserve – appropriated for Trauma Center	14(b)	50,000	50,000
Voluntary reserve – un appropriated	14(b)	20,000	20,000
Retained earnings		792,854	1,023,190
Total shareholders' equity		3,157,854	3,282,265
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,333,162	4,598,919

Statement of Income

Year ended December 31, 2012

	Notes	2012 SR 000	2011 SR 000
Sales	4,6	2,203,447	1,716,095
Cost of sales	6	(974,237)	(765,095)
Gross profit		1,229,210	951,000
Selling and distribution expenses	16	(32,935)	(35,809)
General and administrative expenses	17	(54,218)	(50,119)
Operating income		1,142,057	865,072
Company's share in profit (loss) of associated companies	6	2,139	(2,440)
Islamic Murabaha income		371	163
Islamic loans charges		(14,585)	(17,414)
Others, net		12,470	7,183
Net income before zakat		1,142,452	852,564
Zakat	15	(40,663)	(21,337)
NET INCOME		1,101,789	831,227
Earning per share (SR)	20		
Earning per share from net income		7.20	5.43
Earning per share from continuing main operations		7.10	5.40
Earning per share from continuing other operations		0.10	0.03
Weighted average number of shares		153,000,000	153,000,000



Statement of Stockholders' Equity

Year Ended December 31, 2012

	Notes	Share capital SR 000	Statutory reserve SR 000	Voluntary reserve Trauma Center SR 000	Voluntary reserve un appropriated SR 000	Retained earnings SR 000	Total SR 000
January 1, 2011		1,530,000	575,953	50,000	20,000	1,195,285	3,371,238
Appropriation from retained earnings approved by the general assembly in 2011							
Dividends	19	-	-	-	-	(918,000)	(918,000)
Directors' remuneration	19	-	-	-	-	(2,200)	(2,200)
Transfer to statutory reserve		-	83,122	-	-	(83,122)	-
Net income for 2011		-	-	-	-	831,227	831,227
December 31, 2011		1,530,000	659,075	50,000	20,000	1,023,190	3,282,265
Appropriation from retained earnings approved by the general assembly in 2012							
Dividends	19	-	-	-	-	(1,224,000)	(1,224,000)
Directors' remuneration	19	-	-	-	-	(2,200)	(2,200)
Transfer to statutory reserve		-	105,925	-	-	(105,925)	-
Net income for 2012		-	-	-	-	1,101,789	1,101,789
December 31, 2012		1,530,000	765,000	50,000	20,000	792,854	3,157,854

Statement of Cash Flows

Year Ended December 31, 2012

	2012 SR 000	2011 SR 000
OPERATING ACTIVITIES		
Net income before zakat	1,142,452	852,564
Adjustments for:		
Depreciation	200,747	186,263
End-of-service indemnities	7,816	10,587
Islamic Murabaha income	(371)	(163)
Company's share in (profit) loss of associated companies	(2,139)	2,440
Islamic loans charges	14,585	17,414
Gain on disposal of fixed assets	(8,149)	(1,250)
	1,354,941	1,067,855
Changes in operating assets and liabilities:		
Accounts receivable	(31,604)	39,679
Inventories	156,153	46,514
Prepaid expenses and other debit balances	4,904	(10,761)
Accounts payable	(10,621)	2,443
Accruals and other credit balances	16,803	18,962
Cash from operations	1,490,576	1,164,692
Islamic loans charges paid	(16,890)	(15,580)
End-of-service indemnities paid	(7,071)	(7,490)
Zakat paid	(34,655)	(23,632)
Net cash from operating activities	1,431,960	1,117,990
INVESTING ACTIVITIES		
Additions to fixed assets and capital work in progress	(59,021)	(92,586)
Proceeds from disposal of fixed assets	15,983	1,325
Dividends received from associated companies	3,575	5,366
Islamic Murabaha income received	371	90
Investments in associated companies	(19,727)	(18,185)
Net cash used in investing activities	(58,819)	(103,990)
FINANCING ACTIVITIES		
Islamic Tawarruq loans	(40,000)	-
Saudi Industrial Development Fund (SIDF) loan (net)	(110,000)	43,200
Directors' remuneration paid	(2,200)	(2,200)
Dividends paid	(1,225,976)	(914,022)
Net cash used in financing activities	(1,378,176)	(873,022)
Net change in cash and cash equivalents	(5,035)	140,978
Cash and cash equivalents, January 1	231,717	90,739
CASH AND CASH EQUIVALENTS, DECEMBER 31	226,682	231,717



Notes to the Financial Statements

Year Ended December 31, 2012

1. ORGANIZATION AND ACTIVITIES

Saudi Cement Company ("the Company") was established as a Saudi Joint Stock Company in accordance with the Royal Decree No. 6/6/10/726 issued on 8 Rabi II, 1375H corresponding to November 23, 1955.

The principal activity of the Company is the manufacturing and selling of cement and related products.

The Company's share capital of SR 1,530,000,000 (2011: SR 1,530,000,000) consists of 153 million (2011: 153 million) fully paid shares of SR 10 each.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies applied by the Company:

a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b) Accounting convention

The financial statements are prepared under the historical cost convention and on the accrual basis of accounting.

c) Cash and cash equivalents

Islamic Murabaha that have a maturity date up to three months from the purchasing date are considered as cash and cash equivalents. Islamic Murabaha that have a maturity date of more than three months but less than one year from the purchasing date are classified as Islamic Murabaha in banks in a separate line under the current assets.

d) Inventories

Finished goods and work in process inventories represent the cost of raw materials, labour, materials and other overhead expenses. Raw material inventories are stated at the lower of weighted average cost or net realizable value. Paper bags, spare parts, maintenance consumables and others are valued on weighted average cost basis.

e) Investments

Investments in companies which are at least 20% owned and in which the Company exercises significant influence are recorded using the equity method, under which the investment is stated initially at cost and adjusted thereafter in the light of change in the Company's share of the net assets of the investee based on recent available financial statements of the investee company. These are referred to as associated companies. The Company's share in the associated companies' net income or losses for the year is included in the statement of income.

Notes to the Financial Statements

Year Ended December 31, 2011/2

f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Major expenditure incurred to improve the performance of machinery and equipment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Following are the annual depreciation rates:

Buildings, structures and installations	3%	-	5%
Machinery, equipment and improvements	3.25%	-	33%
Tools and transportation equipment	10%	-	25%
Furniture and fixtures	10%	-	25%

g) End-of-service indemnities

End of service indemnities, payable to employees upon their termination, are provided in the financial statements based on the employees' length of service, in accordance with Saudi Arabian Labor Law.

h) Sales

Sales are recognized upon delivery of the product (cement/clinker) to customers.

i) Selling and distribution and general and administrative expenses

Selling and distribution expenses represent, mainly, salaries and wages, transportation and other related expenses. All other expenses (other than production costs), are classified as general and administrative expenses. Allocations between general and administrative expenses and selling and distribution expenses are made on a consistent basis.

j) Employees' early retirement program

The Company has a voluntary early retirement program, which is granted to eligible employees at the Company's discretion. Employees qualifying for the early retirement scheme are required to choose one of two payment options, either in lump sum payment or monthly instalments. Under the lump sum payment option, the total amount paid is expensed in the year the employee retires. Under the monthly instalment payment option, a liability is established in the year of retirement for all future payments.

k) Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at rates of exchange prevailing at the time of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

l) Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.



Notes to the Financial Statements

Year Ended December 31, 2012

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

m) Zakat

The Company is subject to the regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Zakat is provided on accrual basis. The zakat provision is computed on the zakat base or adjusted net income whichever is higher. Any difference in the estimate is recorded in the income statement when the final assessment is approved.

n) Dividends

Final dividends distributions are recorded in the year in which the general assembly approves such distributions. Interim dividends are resolved by the Board of Directors in accordance with Ministry of Trade Directive # 222/221/9/1288 dated 2/4/1421H and are recorded in the year in which the resolution is made.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances and Islamic Murabaha with original maturities of three months or less:

	2012 SR 000	2011 SR 000
Cash in hand and banks	226,682	131,717
Islamic Murabaha with maturity not exceeding three months	-	100,000
	226,682	231,717

4 ACCOUNTS RECEIVABLE

	2012 SR 000	2011 SR 000
Trade receivable	194,398	163,754
Due from related parties	11,036	10,076
	205,434	173,830

Sales to four major customers represent 38 % (2011: 42%) of total sales. Dues from these customers at December 31, 2012 amounted to SR 88,6 million (2011: SR 94.7million). These balances are fully covered by bank guarantees in favour of the Company.

Notes to the Financial Statements

Year Ended December 31, 2012

5. INVENTORIES

	2012 SR 000	2011 SR 000
Finished and cement under process	68,107	191,879
Raw materials and paper bags	23,872	39,334
Spare parts, fuel and consumables	230,735	247,654
	322,714	478,867

The spare parts inventory primarily relates to plant and machinery and, accordingly, it is expected to be utilized over a period exceeding one year.

6. INVESTMENTS

	Ownership Percentage	2012 SR 000	2011 SR 000
United Cement Company (Bahraini Closed Joint Stock Company)	36%	33,177	37,172
Cement Product Industry Co. Ltd. (Saudi Limited Liability Company)	33.33%	26,417	23,858
Group International Cement Company (a Kuwaiti Closed Joint Stock Company)	40%	37,912	18,185
		97,506	79,215

The transactions entered into by the Company with associated companies (United Cement Company and Cement Product Industry Co. Ltd) are on an arm's length basis and are transacted in the normal course of the Company's activities. Such transactions are classified under regular account classifications. Following are the major transactions with related parties:

- 1) Sales to an associated company during the year amounted to approximately SR 83.3 million (2011: SR 79.5 million).
- 2) Purchases from an associated company during the year amounted to approximately SR 47.7 million (2011: SR 36.6 million), representing paper bags for cement packaging.

Subsequent to Saudi Cement Company's Board of directors' approval on 9/11/2010 G (3/12/1431H) of an investment in the State of Kuwait amounting to Kuwaiti Dinars (KD) 4 million, the Company has subscribed to a share of 40% in the formation of International Group Cement Company (a Kuwaiti Closed Joint Stock Company). The Articles of Association of this Company was signed on 23/10/2011 (25/11/1432 H). The authorized share capital of the Company amounts to KD 10 million divided into 100 million shares of 100 fils per share. The Saudi Cement Company paid an amount of KD 2,400,000 for its 40% share in the total paid up capital of the Company amounting to KD 6 million.

**Notes to the Financial Statements**

Year Ended December 31, 2012

7. FIXED ASSETS, NET

	Land SR 000	Buildings, structures and installations SR 000	Machinery, equipment and improvements SR 000	Tools and transportation equipment SR 000	Furniture and fixtures SR 000	Total SR 000
Cost						
January 1, 2012	77,266	1,837,810	4,831,031	277,674	51,756	7,075,537
Additions/transfers	-	1,035	25,075	1,488	10,642	38,240
Disposals	(7,804)	(53)	(70)	(14,520)	(1,322)	(23,769)
December 31, 2012	69,462	1,838,792	4,856,036	264,642	61,076	7,090,008
Depreciation						
January 1, 2012	-	1,000,440	2,341,720	176,200	41,031	3,559,391
Charge for year	-	35,769	141,778	20,044	3,156	200,747
Disposals	-	(47)	(70)	(14,510)	(1,308)	(15,935)
December 31, 2012	-	1,036,162	2,483,428	181,734	42,879	3,744,203
Net book value						
December 31, 2012	69,462	802,630	2,372,608	82,908	18,197	3,345,805
December 31, 2011	77,266	837,370	2,489,311	101,474	10,725	3,516,146

- a) "Buildings, structures and installations" include buildings and structures relating to Ain Dar plant and the export terminal at the Dammam port, with an approximate net book value of SR 28.6 million (2011: SR 33.1 million), which were constructed on land owned by the Government under a lease contract expiring on Rabi II, 1435H and a contract expiring on Rabi I, 1439H, (corresponding to February 2014 and December 2017, respectively).
- b) The cost of fully depreciated property and equipment that are still in service amounted to SR 2,545 million

8. CAPITAL WORK IN PROGRESS

- a) During the year an amount of SR 35.08 million (2011: 235 million) was transferred from capital work-in-progress to fixed assets.
- b) Borrowing cost capitalized in capital work in progress during the year was Nil (2011: SR 22.5).

9. ISLAMIC TAWARRUQ LOANS

Some local banks have granted the Company various revolving Islamic Tawarruq loans facilities for the purpose of financing its working capital with a total limit amounting to SR 1,750 million (2011 : SR 1,050 million) . The outstanding loan balances at the year end 2012 is SR 400 million (2011: 440 million) .

Management has the ability to rollover these loans on their maturity dates if the need arises. Therefore, it is possible that these loans may be repaid over a period exceeding one year.

Notes to the Financial Statements

Year Ended December 31, 2012

10. ACCOUNTS PAYABLE

	2012 SR 000	2011 SR 000
Trade payables	15,461	27,412
Due to related parties	3,791	2,351
Retentions on expansion contracts and supporting projects	13,639	13,749
	32,891	43,512

Retentions on expansion contracts and supporting projects represent a specified percentage retained from invoices received from the contractors against the work done. These amounts are retained until the construction work is finished.

11. ACCRUALS AND OTHER CREDIT BALANCES

	2012 SR 000	2011 SR 000
Accrued expenses	74,117	72,522
Zakat payable (note 15)	28,591	22,583
Accrued vacations	3,773	4,786
Advances against cement sales	11,951	8,353
Other credit balances	20,399	10,084
	138,831	118,328

12. SAUDI INDUSTRIAL DEVELOPMENT FUND ("SIDF") LOAN

The Company obtained a loan from SIDF amounting to SR 596 million to finance the two expansion projects and supporting projects. The loan is repayable in 15 unequal semi-annual installments commencing in February 2010 and ending in November 2016. The loan is secured by promissory notes and a primary mortgage of the related projects land and assets. The loan agreement requires the Company to maintain certain financial ratios during the loan period. During 2012, loan amount received was SR Nil (2011: 89.2 million) and loan amount repaid was SR 110 million (2011: SR 46 million).

13. END-OF-SERVICES INDEMNITIES

	2012 SR 000	2011 SR 000
At January 1	72,177	69,080
Provision for end of service for the year	7,816	10,587
End of service paid during the year	(7,071)	(7,490)
At December 31,	72,922	72,177



Notes to the Financial Statements

Year Ended December 31, 2012

14. RESERVES

a) Statutory reserve

In accordance with the Regulations for Companies and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net income until such reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

b) Voluntary reserve

The Shareholders in their General Assembly Meeting held on March 25, 1995 (24 Shawwal 1415H) approved the Board of Directors' proposal to establish a reserve for the expansion of the Company's plant in Hofuf. After the completion of the expansion in 1996, the reserve was carried forward as a voluntary reserve.

The Shareholders in an Extra-ordinary General Meeting held on 18/5/2010 G (4/6/1431H) approved the appropriation of SR 50 million from the voluntary reserve for the purpose of building a Trauma Centre in the National Guards Hospital in Al-Ahsa for the treatment of people injured in accidents, as part of the social services provided by the Company to the community.

15. ZAKAT

a) Components of Zakat Base

Zakat base for the Company is comprised of the following:

	2012 SR 000	2011 SR 000
Non-current assets	3,531,555	3,662,824
Non-current liabilities	407,922	492,177
Shareholders' equity - opening balance	3,282,265	3,371,238
Net income before zakat	1,142,452	852,564

b) Provision for zakat

	2012 SR 000	2011 SR 000
At January 1	22,583	24,878
Provision for the year	40,663	21,337
Payments during the year	(34,655)	(23,632)
At December 31	28,591	22,583

c) Zakat status:

The Company has finalized its Zakat assessments up to 2010. Final assessment for year 2011 is still under review by the DZIT.

Notes to the Financial Statements

Year Ended December 31, 2012

16. SELLING AND DISTRIBUTION EXPENSES

	2012 SR 000	2011 SR 000
Salaries, wages and benefits	10,619	8,468
Transportation fees and export expenses	6,462	14,822
Depreciation	7,550	8,781
Other	8,304	3,738
	32,935	35,809

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR 000	2011 SR 000
Salaries, wages and benefits	36,966	34,868
Training, employment and professional fees	3,546	1,434
Depreciation	2,463	1,741
Postage and phone	583	693
Stationery and printing	543	1,278
Board of directors' meeting expenses and remuneration	481	32
Insurance	242	278
Travel and transportation	612	522
Others	8,782	9,273
	54,218	50,119

18. COMMITMENTS AND CONTINGENCIES

Outstanding commitments and contingencies as of December 31 were as follows:

	2012 SR 000	2011 SR 000
Capital commitments	24,273	52,178
Letters of credit	1,141	20,706
Letters of guarantee	67,956	57,738



Notes to the Financial Statements

Year Ended December 31, 2012

19. DIVIDENDS

- a) The shareholders in their general assembly meeting held on 14/03/2012 G (21/04/1433 H) approved the interim dividends for second half of 2011 proposed by the board of directors amounted to SR 688.5 million at the rate of SR 4.5 per share representing 45% of the nominal share value (SR 4 per share for year 2010). Disbursement commenced on Tuesday 27/3/2012 G.
- b) The Board of Directors resolved during its meeting held on 02/06/2012 G (12/07/1433 H) to pay interim dividends for first half of 2012 amounted to SR 535.5 million at the rate of SAR 3.5 per share, representing 35% of the nominal share value (SR 2 per share for first half of year 2011). Disbursement commenced on Monday 16/07/2012 G (26/08/1433 H).
- c) The Board of Directors proposed during its meeting held on 05/02/2013 G (24/03/1434 H) to pay cash dividends for second half of 2012 amounted to SR 535.5 million at the rate of SAR 3.5 per share representing 35% of the nominal share value (SR 4.5 per share for second half of year 2011).

20. EARNING PER SHARE

- Earning per share is computed by dividing net income for the year by the weighted average number of shares outstanding.
- Earning per share from continuing main operations is computed by dividing operating income less finance charges and zakat by the weighted average number of shares outstanding.
- Earning per share for continuing other operations is computed by dividing total other income and expenses which are not directly attributable to the Company's main operations by the weighted average number of shares outstanding.
- If the number of shares changed without changing the shareholders equity (as the case of stock dividends), then the effect of this change on the number of shares outstanding is regarded as if this change has happened at the beginning of the year and the earnings per share for all comparative periods is re-calculated using the new number of shares outstanding.

21. SEGMENTAL INFORMATION

The Company has one operating segment engaged in the production of cement and related products. The Company carries out its activities mainly in the Kingdom of Saudi Arabia.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified wherever necessary to conform with the current year's presentation.

Contacts

Saudi Cement Company

HEAD OFFICE

King Saud Street - Dammam
P. O. Box: 306 Dammam 31411
Telephone: (03) 835 8000
Fax: (03) 834 3091

e-mail: scc@saudicement.com.sa
website: www.saudicement.com.sa

HOFUF PLANT

Telephone: (03) 533 2222
Fax: (03) 533 1437
e-mail: scc@saudicement.com.sa

AIN DAR PLANT

Telephone: (03) 566 0600
Fax: (03) 566 1992
e-mail: scc@saudicement.com.sa

RIYADH OFFICE

Telephone: (01) 477 3021
Fax: (01) 478 0362
e-mail: scc@saudicement.com.sa

BANKS

Riyad Bank
National Commercial Bank
Arab National Bank
Saudi Hollandi Bank
Samba Financial Group
Al Bank Al Saudi Al Fransi
Saudi British Bank (SABB)
Al Rajhi Bank
Al Bilad Bank

AUDITORS

Dr. Mohamed Al-Amri & Co.

Saudi Cement Company
(A Saudi Joint Stock Company)

P.O. Box - 306
Dammam - 31411
Kingdom of Saudi Arabia
Tel. +966 (03) 835 8000
Fax +966 (03) 834 3091
www.saudicement.com.sa