

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS (UN-AUDITED) AND
AUDITORS' LIMITED REVIEW REPORT

FOR THE THREE MONTHS PERIOD AND
YEAR ENDED 31 DECEMBER 2016

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
SAUDI CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY**


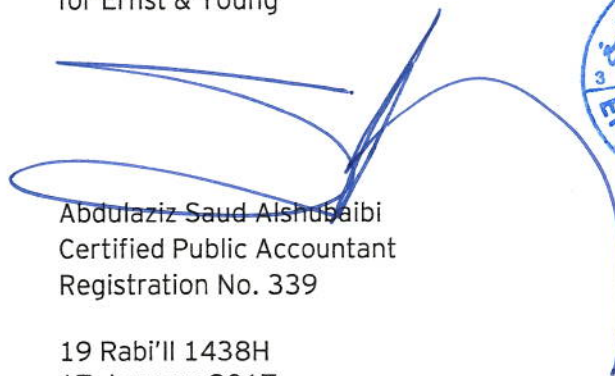
Scope of limited review:

We have reviewed the accompanying interim balance sheet of Saudi Cement Company, a Saudi Joint Stock Company ("the Company") as at 31 December 2016, and the related interim statements of income for three months period and year then ended and the interim statements of cash flows and changes in shareholders' equity for the year then ended. These interim financial statements have been prepared by the Company's management and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion of limited review:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Abdulaziz Saud Alshubaihi
Certified Public Accountant
Registration No. 339

19 Rabi'II 1438H
17 January 2017

Alkhobar

Saudi Cement Company
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET

As at 31 December 2016

		2016 SR "000" (un-audited)	2015 SR "000" (audited)
ASSETS	<i>Note</i>		
CURRENT ASSETS			
Cash and cash equivalents		183,820	383,000
Trade accounts receivable		259,357	226,922
Inventories		817,469	754,934
Prepayments and other receivables		40,139	51,375
TOTAL CURRENT ASSETS		1,300,785	1,416,231
NON-CURRENT ASSETS			
Investments in associated companies		60,100	82,800
Property, plant and equipment		2,729,940	2,876,424
Construction work in progress		160,119	138,134
TOTAL NON-CURRENT ASSETS		2,950,159	3,097,358
TOTAL ASSETS		4,250,944	4,513,589
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable		103,958	90,818
Accruals and advances from customers		112,701	120,393
Islamic financing	3	400,000	600,000
Dividends payable	4	210,350	172,395
Current portion of Saudi Industrial Development Fund loans	5	-	120,000
Current portion of liability for charitable contribution	6	20,000	30,000
Zakat and income tax provision		37,194	32,845
TOTAL CURRENT LIABILITIES		884,203	1,166,451
NON-CURRENT LIABILITY			
Employees' terminal benefits		91,277	91,316
TOTAL LIABILITIES		975,480	1,257,767
SHAREHOLDERS' EQUITY			
Share capital	7	1,530,000	1,530,000
Statutory reserve		765,000	765,000
General reserve	8	-	20,000
Retained earnings		980,464	940,822
TOTAL SHAREHOLDERS' EQUITY		3,275,464	3,255,822
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,250,944	4,513,589

The attached notes from 1 to 11 form an integral part of these interim financial statements.

Saudi Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME

For the three months period and year ended 31 December 2016

	<i>For the three months period ended 31 December 2016 SR "000" (un-audited)</i>	<i>For the three months period ended 31 December 2015 SR "000" (un-audited)</i>	<i>For the year ended 31 December 2016 SR "000" (un-audited)</i>	<i>For the year ended 31 December 2015 SR "000" (audited)</i>
Sales	397,381	483,583	1,778,139	1,932,393
Cost of sales	<u>(176,509)</u>	<u>(203,493)</u>	<u>(749,139)</u>	<u>(796,371)</u>
GROSS PROFIT	220,872	280,090	1,029,000	1,136,022
EXPENSES				
Impairment loss of property, plant and equipment	-	(66,150)	-	(66,150)
Selling and distribution	(9,157)	(8,611)	(35,501)	(35,129)
General and administration	<u>(16,807)</u>	<u>(20,307)</u>	<u>(60,766)</u>	<u>(71,127)</u>
INCOME FROM MAIN OPERATIONS	194,908	185,022	932,733	963,616
Other income, net	839	562	4,274	11,559
Follow up fees of Saudi Industrial Development Fund loans	(1,615)	-	(3,715)	(3,931)
Islamic financial charges	<u>(3,551)</u>	<u>(2,278)</u>	<u>(13,222)</u>	<u>(8,130)</u>
INCOME BEFORE SHARE IN NET RESULTS OF ASSOCIATED COMPANIES AND ZAKAT AND INCOME TAX	190,581	183,306	920,070	963,114
Share in net results of associated companies	<u>1,349</u>	<u>(2,939)</u>	<u>5,045</u>	<u>1,287</u>
INCOME BEFORE ZAKAT AND INCOME TAX	191,930	180,367	925,115	964,401
Zakat and income tax	<u>(5,216)</u>	<u>(4,663)</u>	<u>(23,523)</u>	<u>(24,209)</u>
NET INCOME FOR THE PERIOD/YEAR	<u>186,714</u>	<u>175,704</u>	<u>901,592</u>	<u>940,192</u>
EARNINGS PER SHARE (SR):				
Earnings per share from main operations	<u>1.27</u>	<u>1.21</u>	<u>6.10</u>	<u>6.30</u>
Earnings per share from net income	<u>1.22</u>	<u>1.14</u>	<u>5.89</u>	<u>6.15</u>
Number of shares outstanding (in thousands) (note 7)	<u>153,000</u>	<u>153,000</u>	<u>153,000</u>	<u>153,000</u>

The attached notes from 1 to 11 form an integral part of these interim financial statements.

Saudi Cement Company
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INTERIM STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	<i>For the year ended 31 December 2016 SR "000" (un-audited)</i>	<i>For the year ended 31 December 2015 SR "000" (audited)</i>
OPERATING ACTIVITIES		
Income before share in net results of associated companies and zakat and income tax	920,070	963,114
Adjustments for:		
Depreciation of property, plant and equipment	216,293	219,296
Impairment loss of property, plant and equipment	-	66,150
Employees' terminal benefits, net	(39)	(50)
Islamic financial charges	13,222	8,130
Gain on disposal of property, plant and equipment	(70)	(133)
Gain on disposal of investment in an associated company	(322)	-
Construction work in progress written off	2,048	-
	<u>1,151,202</u>	<u>1,256,507</u>
Changes in operating assets and liabilities:		
Receivables	(21,199)	1,725
Inventories	(62,535)	(86,406)
Payables	43,403	48,977
Cash from operations	<u>1,110,871</u>	<u>1,220,803</u>
Islamic financial charges paid	(13,222)	(8,130)
Zakat paid	(19,174)	(28,291)
Net cash from operating activities	<u>1,078,475</u>	<u>1,184,382</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(27,903)	(6,093)
Additions to construction work in progress	(65,941)	(121,305)
Proceeds from disposal of property, plant and equipment	72	1,002
Proceeds from disposal of investment in an associated company	24,311	-
Dividends received from associated companies	3,756	5,365
Net cash used in investing activities	<u>(65,705)</u>	<u>(121,031)</u>
FINANCING ACTIVITIES		
Net movement in Islamic financing	(200,000)	-
Charitable contribution paid	(10,000)	(20,000)
Net movement in Saudi Industrial Development Fund loans	(120,000)	(115,000)
Board of Directors' remuneration paid	(2,200)	(2,200)
Dividends paid	(879,750)	(841,500)
Net cash used in financing activities	<u>(1,211,950)</u>	<u>(978,700)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(199,180)</u>	<u>84,651</u>
Cash and cash equivalents at the beginning of the year	<u>383,000</u>	<u>298,349</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>183,820</u></u>	<u><u>383,000</u></u>
NON-CASH TRANSACTION:		
Significant non-cash transaction arose as a result of:		
Transfer from construction work in progress to property, plant and equipment	<u>41,908</u>	<u>47,278</u>

The attached notes from 1 to 11 form an integral part of these interim financial statements.

Saudi Cement Company
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

	Share capital SR "000"	Statutory reserve SR "000"	General reserve SR "000"	Retained earnings SR "000"	Total SR "000"
Balance at 31 December 2014 (audited)	1,530,000	765,000	20,000	844,330	3,159,330
Net income for the year	-	-	-	940,192	940,192
Dividends (note 4)	-	-	-	(841,500)	(841,500)
Board of Directors' remuneration	-	-	-	(2,200)	(2,200)
Balance at 31 December 2015 (audited)	1,530,000	765,000	20,000	940,822	3,255,822
Net income for the year	-	-	-	901,592	901,592
Transferred to retained earnings (note 8)	-	-	(20,000)	20,000	-
Dividends (note 4)	-	-	-	(879,750)	(879,750)
Board of Directors' remuneration	-	-	-	(2,200)	(2,200)
Balance at 31 December 2016 (un-audited)	1,530,000	765,000	-	980,464	3,275,464



The attached notes from 1 to 11 form an integral part of these interim financial statements.

Saudi Cement Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

At 31 December 2016

1 ACTIVITIES

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree number 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered in the Kingdom of Saudi Arabia, in the city of Dammam under Commercial Registration number 2050000602 dated 6 Dhul Qaidah 1377 H (corresponding to 24 May 1958). The Company is engaged in manufacturing and selling cement and its related products.

The Company has obtained under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H (corresponding to 3 May 1951) the right of the mining concession for the exploitation of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Hassa for 30 years period. The Company also obtained under the Ministerial Resolution number 45 dated 4 Rabi'I 1405H (corresponding to 27 November 1984) from the Council of Ministers, the right of the mining concession for the exploitation of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al-Jadidah (Khashem Em Houidah), with an area of nineteen square kilometers for 30 years period. The Company is in the process to renew it for another period.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The interim financial statements are prepared under the historical cost convention.

Use of estimate

The preparation of interim 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 interim financial statements and the reported amounts of revenue and expenses during the reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand and Murabaha investment that is readily convertible into known amounts of cash and has original maturities of three months or less, when purchased.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the account receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

Spare parts and raw materials	-	purchase cost on a weighted average basis.
Finished goods and work in progress	-	cost of direct materials and labour plus attributable overhead based on normal level of activity.

Investments in associated companies

Investments in associated companies where the Company has significant influence over the investees' financial and operation decisions, normally when the Company owns stake between 20% to 50% of the capital of the investee company, is accounted for using the equity method.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) (continued)
At 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment/depreciation

Property, plant and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. The cost of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Improvements on assets are amortised on a straight-line basis over the shorter of the useful life of the improvement or the related assets.

Expenditure for repair and maintenance are charged to interim statement of income as incurred. Improvements that increase the value or the materially extend the useful life of the related assets are capitalised.

Construction work in progress

Construction work in progress are recognised at cost of material and services needed to construct the fixed assets and other costs that can be specifically identified as necessary costs to have these fixed assets ready for its intended use including borrowing costs eligible for capitalisation, which then transferred to its category under property, plant and equipment.

Impairment of non-current assets

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amount is charged to the interim statement of income.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Zakat and income tax

The Company is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat and income tax is determined based on effective ownership interest reflected in the register of shareholders in Tadawul at the end of the period. Zakat and income tax is provided on an estimated basis and charged to the interim statement of income. The zakat charge is computed at 2.5% on the zakat base or adjusted net income attributable to shareholders from Gulf Cooperation Council ("GCC") citizens, whichever is higher while income tax relating to the non-GCC shareholders is provided based on share of taxable income at 20%. Any difference in the estimate is recorded when the assessment is finalised.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year until it has built up a reserve equal to one half of the capital. This having been achieved. The reserve is not available for distribution.

Employees' terminal benefits

Provision is made for amounts payable related to accumulated period of services at the interim balance sheet date in accordance with the employees' contracts of employment.

Revenue recognition

Sales represent the invoiced value of goods supplied by the Company during the period. Revenues from sale of goods are recognised when significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, normally on delivery to the customer.

Saudi Cement Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) (continued)
At 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotions as well as bad debts expense. All other expenses other than Islamic financial charges and follow-up fees in respect of Saudi Industrial Development Fund loans are allocated on a consistent basis to cost of sales and general and administration expenses in accordance with allocation factors determined as appropriate by the Company.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the interim statement of income.

Dividends

Dividends are recognised as a liability at the time of the shareholders' approval by the Annual General Meeting. Interim dividends are recorded as and when approved by the Board of Directors.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals (SR) at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim balance sheet date. All differences are taken to interim statement of income.

Earnings per share

Earnings per share from main operations is calculated by dividing the income from main operations for the period/year by the weighted average number of ordinary shares outstanding during the period/year.

Earnings per share from net income is calculated by dividing the net income for the period/year by the weighted average number of ordinary shares outstanding during the period/year.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment), which is subject to risks and rewards that are different from those of other segments.

3 ISLAMIC FINANCING

The Islamic facilities have been obtained from various local banks to meet the working capital requirements with a total amount of SR 1,850 million (2015: SR 1,850 million), the utilised balance as of 31 December 2016 is SR 400 million (31 December 2015: SR 600 million), which is secured by promissory notes issued by the Company and carries commission agreed with the facilities providers. The outstanding Islamic financing is classified under current liabilities in the interim balance sheet as it is repayable within 12 months from the interim balance sheet date. The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained.

Saudi Cement Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) (continued)
At 31 December 2016

4 DIVIDENDS

On 17 Sha'ban 1437H (corresponding 24 May 2016), the Board of Directors resolved to distribute interim cash dividends amounting to SR 2.75 per share (SR 420.75 million in total) for the first half of 2016.

On 15 Jumada' II 1437H (corresponding 24 March 2016), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 3 per share (SR 459 million in total) for the second half of 2015.

On 7 Sha'ban 1436 H corresponding to 25 May 2015, the Board of Directors resolved to distribute interim cash dividends amounting to SR 3 per share (SR 459 million in total) for the first half of 2015.

On 26 Jumada' I 1436 H corresponding to 17 March 2015, the General Assembly approved the Board of Directors proposal to distribute cash dividends amounting to SR 2.5 per share (SR 382.5 million in total) for the second half of 2014.

5 SAUDI INDUSTRIAL DEVELOPMENT FUND LOANS

	<i>31 December 2016 SR "000"</i>	<i>31 December 2015 SR "000"</i>
Saudi Industrial Development Fund loans	-	120,000
Less: current portion	-	(120,000)
Non-current portion	-	-

During 2008, the Company has obtained a loan from the Saudi Industrial Development Fund ("SIDF") amounting to SR 300 million to finance its project in Hofuf, the loan is repayable in 14 unequal semi-annual installments, which commenced in January 2010. During 2009, the Company has obtained another loan from the SIDF amounting to SR 296 million to finance the expansion of its project in Hofuf, the loan is repayable in 13 unequal semi-annual installments, which commenced in January 2011. These loans are secured by promissory notes and a primary mortgage over the related projects' fixed assets. The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained. The two loans were fully settled during the year.

6 LIABILITY FOR CHARITABLE CONTRIBUTION

The shareholders in their extra-ordinary general assembly meeting held on 4 Jumada' II 1431H (corresponding to 18 May 2010) approved the appropriation of SR 50 million from the general reserve for the purpose of building a Trauma Centre in the National Guards Hospital in Al-Ahsa for the treatment of people injured in accident, as part of the social services provided by the Company to the community. The Company signed an agreement during 2014 with the National Guard's Health Affairs, whereby the amount of SR 50 million is expected to be disbursed through five equal installments during 2015 and 2016, upon receiving the relevant construction progress status report.

The two remaining construction progress reports are expected to be received during 2017.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) (continued)
At 31 December 2016

7 SHARE CAPITAL

The authorised, issued and paid up share capital is SR 1,530 million at 31 December 2016 consisting of 153 million shares (31 December 2015: SR 1,530 million consisting of 153 million shares) of SR 10 each.

8 GENERAL RESERVE

The shareholders in their General Assembly Meeting held on 24 Shawwal 1415H (corresponding 25 March 1995) 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 remaining reserve was carried forward as a general reserve.

On 15 Jumada' II 1437H (corresponding 24 March 2016), the General Assembly has approved to transfer the general reserve balance of SR 20 million back to retained earnings.

9 SEGMENTAL INFORMATION

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

10 CAPITAL COMMITMENTS

Management approved future capital expenditures amounting to SR 23.7 million (31 December 2015: SR 63.7 million) mainly related to railway infrastructure at Hofuf plant and installation of gas pipeline leak detection system for Hofuf plant.

11 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. In addition, the results for the comparative period have been adjusted to reflect yearend audit adjustments relating to prior year audited financial statements.