

اسمنت اليمامة

Yamama Cement

Annual Report 2012

**Board of Directors Report
Of the Company's Shareholders
For The fiscal Year ended on 31/12/2012
Submitted to
The 47th Ordinary General Assembly
Riyadh on 09/04/1434H corresponding to 19/02/2013G**



Custodian of the Two Holy Mosques
King Abdullah bin Abdulaziz Al Saud



His Royal Highness
Prince Salman bin Abdulaziz Al Saud
Crown Prince , Deputy Prime Minister of Council
minister of Defense

Board of Directors Members



Chairman

HH/ Prince Turki Ben Mohammed Ben Abdulaziz Ben Turki



Vice Chairman and Managing Director

HH/ Prince Sultan Ben Mohammed Ben Saud Al-Kabeer



HH/ Prince Khalid Ben Mohammed Ben Abdulaziz Ben Turki



Mr/ Rashid Mubarak Al-Muraishid



Mr/ Fahed Ben Thinyan Al-thinyan



**Eng/ Ibrahim Ben Abdulaziz
Almuhanha**



Eng/ Faisal Sulaiman Al-Rajhi



Mr/ Jamal Ben Ahmed Al-Ajajy
(GOSI Representative)



Mr/ Mubark Ben Jaber Al-Mehimeed
(Public Pension Agency Representative)



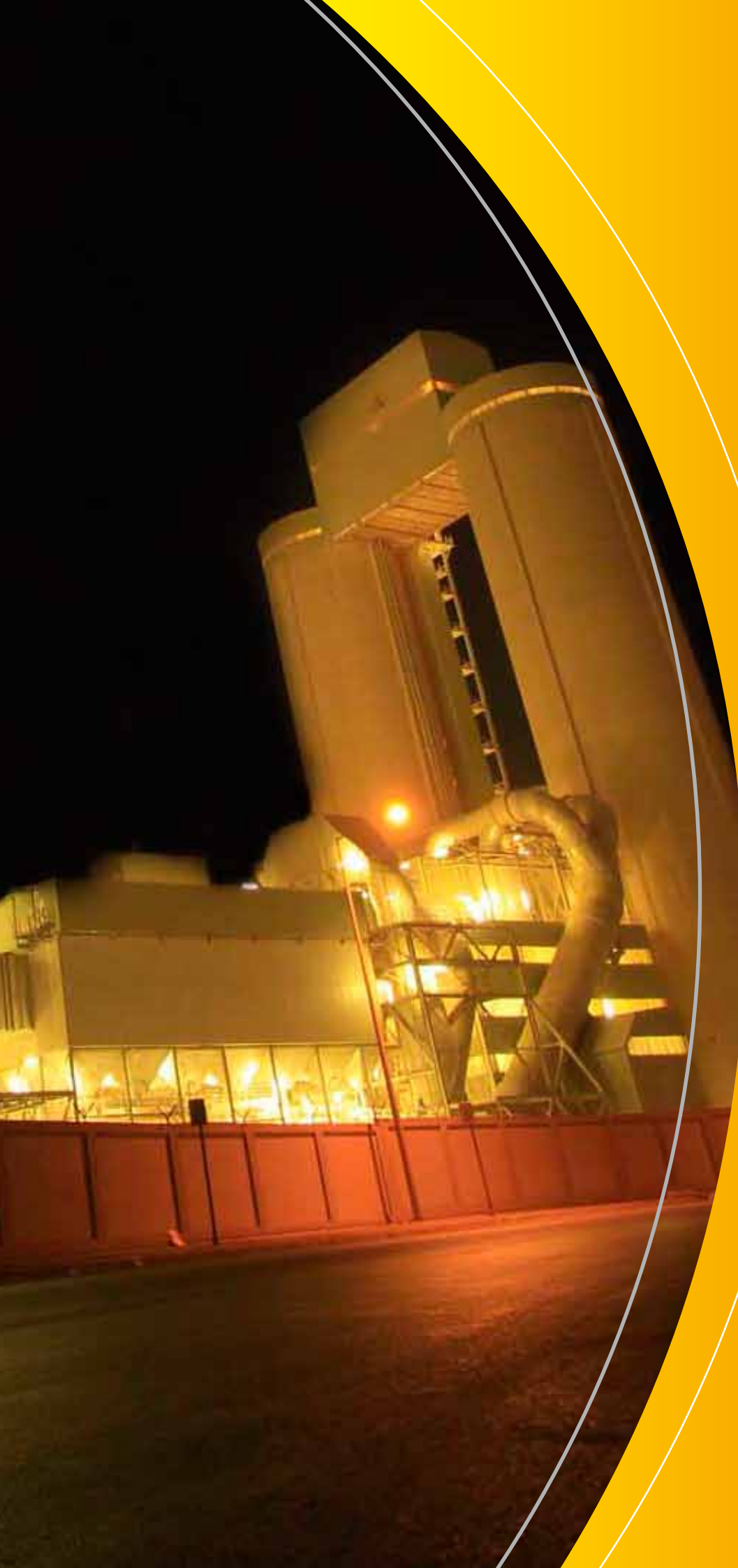
General Manager
Mr/ Jehad Abdulaziz Alrasheed



Board of Directors Report

**To the 47th Ordinary General Assembly
Of The Company's Shareholders**

**Which will be Held in Riyadh
On 09/04/1434H corresponding to 19/02/2013G**



Dear Shareholders:

YSCC is pleased to submit its annual report concerning the performance and business outcomes of the company for the fiscal year 2012. The company was able to keep up its positive results in terms of production and marketing processes that are reflected on the net profit despite many challenges confronted the company during this year, the most significant among which are shortage of fuel supply, and reduction of sale price determined by ministry of commerce.



1st: The Company Activity

YCC manufactures many types of cement; (ordinary cement, sulphate resistant cement, finishing cement and amended cement) in its factory located in Riyadh city, and trade and marketing of these products domestically.

The current annual production capacity of the kilns amounted to (6) million tons of clinker, which is equivalent to (6.3) million tons of cement per year.

2nd: Business Results of the Company:

1. Company's Sales & Profits

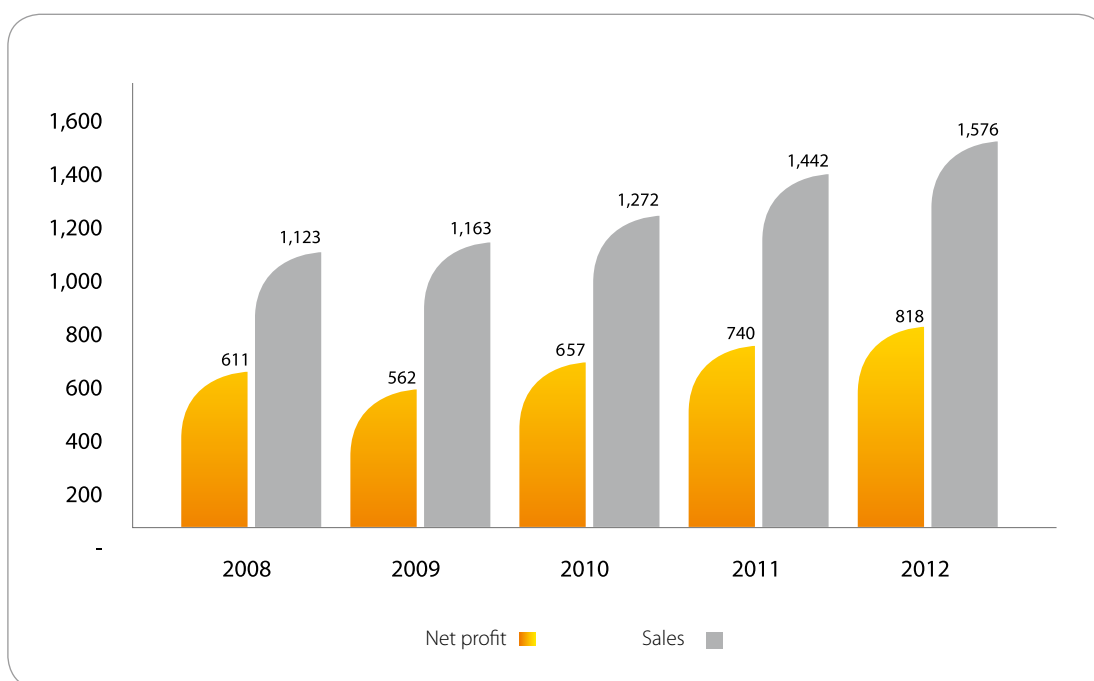
Quantity of cement sold was (6,373) million tons versus (6,010) million tons in the year 2011, with an increase of (6%). It is worth mentioning that the Kingdom overall consumption of cement amounted to (53) million ton in the year 2012 compared to (47) million tons in the year 2011, with an increase of (13%).

The company gross profit amounted to SR (914) million in 2012 compared to SR (809) million in 2011, with an increase of (13%). The operational profits have reached SR (863) million in 2012 versus SR (751) million in 2011, with an increase of (15%). This increment is due to rise of the sold quantity as a result of increment of the local demand. The net profit in the year 2012 mounted to (818) million compared to SR (740) million in 2011, with an increase of (11%). This increase resulted from the rise of local demand for cement and the improvement of marketing and operational performance of the Company.



The following chart illustrates the Sales Value and Net Profit during the last five years (2008 – 2012):

Sales & Net Profit from (2008 - 2012) (Thousands Tons)



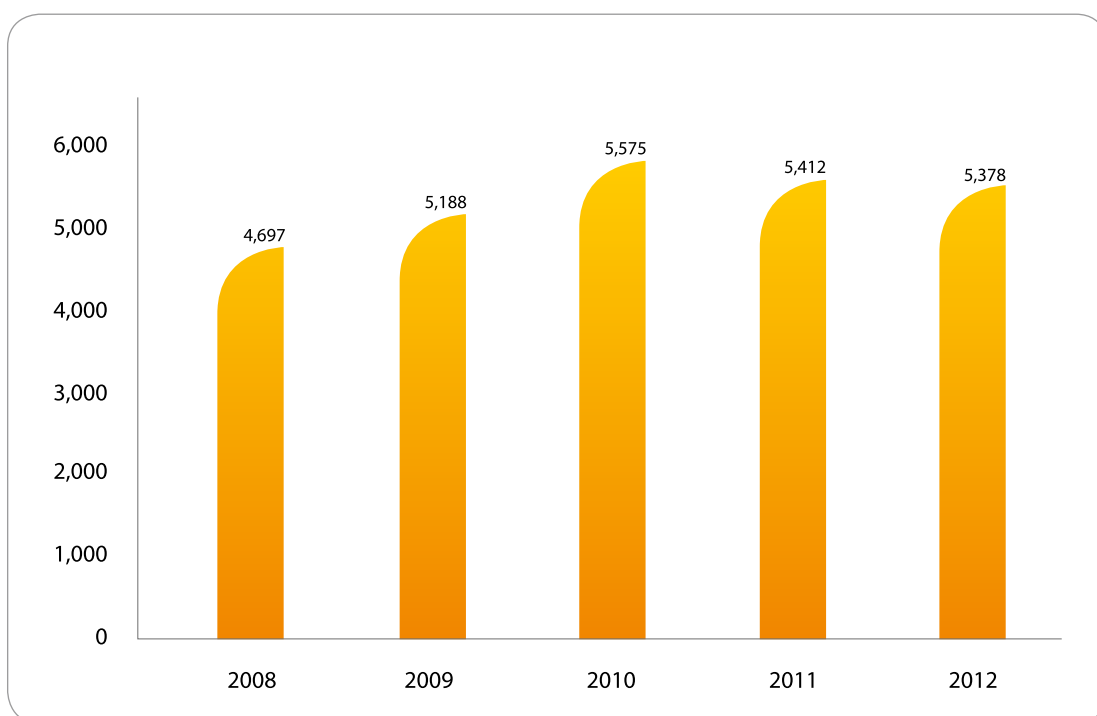
2- Production

The factory production of clinker amounted to (5,378) million tons during 2012 compared to (5,412) million tons during the year 2011, with reduction of (1%).

Cement production amounted to (6,346) million tons in 2012 compared to (5,976) million tons in 2011, with an increase of (6%). This increase of production resulted from the rise of the sold quantities.

The following chart illustrates the progress of the production of clinker during the last five years (2008 – 2012):

Production of Clinker from 2008 to 2012 (Thousands Tons)



Geographic Distribution of YCC Revenues

All Company sales took place in the central region of the Kingdom. YCC did not export any part of its sales outside the Kingdom in implementation of the banning decree issued on June 2008.

(In Thousand tons)

| Sales Location | Sales Quantities 2012 | Sales Quantities 2011 |
|----------------|--------------------------|--------------------------|
| Local Sales | 6,373 | 6,010 |
| Export Sales | — | — |
| Total | 6,373 | 6,010 |

3rd: Projects & Future plans

The company has developed and implemented diverse policies to rationalize the costs, operation expenses and improve its products in order to maintain its marketing quota. These projects and plans include the followings:

1. Yamama ERP System project "YES"

The following initial four phases of YES project were completed:

- "Study of the current status of the policies & procedures in the Company".
- "Re-engineering of the business cycles". It is the phase that related to the development of the applied procedures and policies in order to be in line with the best practices.
- "Selection of the program to be introduced".
- "Implementation of the businesses cycles". It is the phase that deals with application of the new procedures & policies with the selected program, detection of any gaps and attempt to avoid them.

The company now is implementing the 5th which is the last phase of the project that represent the application of the Oracle system to be implemented during the year 2013.

2. Investment in Yemeni Saudi Cement Co.

As referred in the previous Board of Directors report, YCC has purchased 20% of Yemeni Saudi Co. paid-up capital of \$ 100 million (SR 375million) in the 1st quarter of the year 2010. Accordingly, the share of the company is SR 75 million that has been funded through the cash flow of the company business activity. Yemeni Saudi cement Co. owns Batais Cement Plant located in Abyan Governorate near Aden city with a designed capacity of 1.4 million ton per year .It is noticeable that the factory is at the beginning of the experimental operation, and the commercial operation was expected to start at the end of 2011 but, due to the current circumstances of Yemen, the experimental operation has become impossible in the due date. YCC is closely following up the situation there, and as the current circumstances are persisting, the Company has configured provision investments of SR (15) million for the Yemeni-Saudi cement Co. in order to face any potential decline in the value of investment.

4th: Dealing with related parties

YCC transacts during the year with related parties within the normal scope of its business. These transactions are being determined by the fair value as shown in the following table:

(in thousands SR)

| Related party | Nature of Relation | Type of Transaction | Related Party | Contract period | Transactions value in 2012 | Balance on 31-12-2012 |
|--|--|--|--|-----------------|----------------------------|-----------------------|
| 1- Cement Products Industry Co. (Jeddah) | YCC owns 33.33% of the company Paid-up capital | Purchase of paper sacks for cement packing | - | Opened | 26,358 | (1,584) |
| 2- Arabian Shield Insurance Co. ⁽¹⁾ | YCC owns 5% of the company Paid-up capital | Insurance | Vice Chairman & MD P/Sultan M.S.Alkabeer | Annual | 10,917 | 1,021 |
| 3- Yemeni Saudi Cement Co. ⁽²⁾ | YCC owns 20% of the company Paid-up capital | Cement Production | Vice Chairman & MD P/Sultan M.SAlkabeer | Opened | 0 | 19,515 |

(1) Arabian Shield Insurance Co was selected among some bidders on basis of their technical & financial tenders.

(2) A share of 20% with an amount of SR 75 million was purchased in the Yemeni Saudi Cement Co which its capital amounted to SR 375 million (\$ 100 million) This share was purchased in nominal value from part of some shares of Yemeni and Saudi partners, among them is HH Prince Sultan Ben Mohammed Ben Saud Alkabeer the Vice Chairman & the Managing Director of YCC where 4% of his shares were purchased with amount of SR 15 million.

5th: The Company Investments

YCC invests in some companies. The following table indicate the values of these investments as of 31/12/2012:-

| Company Name | Yamama Share(%) | Value of Investment as of 31/12/2010 (in Thousands Riyals) |
|--|-----------------|---|
| 1- Cement products Industry Co. (Jeddah) ⁽³⁾ | 33.33% | 25,815 |
| 2- Energy Industries & Services Co. – (Closed Stock Co.) ⁽³⁾ | 5.625% | 112,500 |
| 3- Al Kayan Petro-chemical Co (Kayan) (Closed Stock. Co) ⁽¹⁾ | 0.0625% | 6 |
| 4- Saudi Kayan Petro-chemical Co. (Kayan) (Joint Stock.Co.) ⁽²⁾ | 0.0625% | 11,344 |
| 5- Sahra Petro-chemical Co –(Joint Stock Co) ⁽²⁾ | 1.167% | 69,366 |
| 6- Arabian Shield Insurance Co. – (Joint Stock Co.) ⁽²⁾ | 5% | 47,900 |
| 7- Hail Cement Co.- (Joint Stock Co.) ⁽²⁾ | 6.13% | 111,300 |
| 8- Yemeni Saudi Cement Co. (Net) ⁽³⁾ | 20% | 60,060 |
| Total Investment | | 438,291 |

(1) According to the decision of Kayan Extra-ordinary General Assembly held on 31/12/2012, the capital of the Company was decided to be dropped by 60%. Therefore, the new capital becomes SR 2 million instead of SR 5 Million.

(2) The value of investment in the joint stocks companies is determined on 31-12-2012 according to the market value of the share.

(3) Investment value was determined according to the book value.

6th: Loans

(in Thousands SR)

| Loan Provider | Loan Duration | Loan value | Paid installment | Balance as of 01/01/2012 | Paid During 2012 | Balance By the end of 2012 |
|-----------------------------------|---------------|------------|------------------|--------------------------|------------------|----------------------------|
| Industrial Development Fund (IDF) | 8 years | 459,796 | 411,679 | 189,892 | 141,775 | 48,117 |

Payable Loan:

(in Thousands SR)

| Date | Amount |
|----------------------|---------------|
| 23/06/2013 G | 7,548 |
| 18/12/2013 G | 9,435 |
| 13/06/2014 G | 10,378 |
| 07/12/2014 G | 10,378 |
| 02/06/2015 G | 10,378 |
| Payable Total | 48,117 |

7th: Affiliated Companies

| Company Name | Main Activity | Country | Manufacture site | % Yamama |
|--|---------------|---------|------------------|----------------------------|
| Cement Products Industry Co. (Jeddah) | Sack Papers | K.S.A | Riyadh- Jeddah | 33.33% of the paid capital |

8th : Regular Payment to Government Departments

(in Thousands SR)

| Statement | 2012 | 2011 |
|---------------------------------------|---------------|---------------|
| Custom fees | 4,580 | 4,439 |
| Zakat | 29,123 | 21,114 |
| Social Insurance (GOSI) Subscriptions | 9,734 | 9,623 |
| Visas fees | 1,524 | 2,093 |
| Quarries Exploitation Fees | 40,904 | 37,608 |
| Railway Rents | 2,666 | 2,318 |
| Total | 88,531 | 77,195 |

9th : Social Responsibility and Community Service

a. Social Donations & Contributions

In conviction to the importance of contribution in social and charitable activities, YCC provided monetary and non-monetary donations to a number of known charity organizations and non-profit national organizations such as:

- Students Scholarships program at Prince Sultan University.
- Graduation & Profession day activities held at Institute of Public Administration.
- The annual profession day at King Saud University.
- Chemical Engineering Club for holding programs and activities for the coming period.
- Contribution to support the activities of the International Day for Drugs Control.
- Holding Eid Alfitr Festivals for the year 1433H in Riyadh region.
- Technical & Vocational Summer Hobbies Club.
- Saudi Charitable Association for Cancer Control.
- Imam Mohammed Ben Saud Society for supporting " Parent Endowment
- The Social charitable Fund.
- Albir charity Society at Alshifa & Alazizia.(Riyadh).
- Summer training at English language & Computer training institutes for (111) male students & (125) females students.
- Other.

b. Safety, Healthy & Environment

With regard to the efforts exerted for Environment Preservation, YCC is committed to implement all Saudi and International standards to safeguard environment safety under supervision and follow-up of the General Presidency of Meteorology & Environment Protection in the Kingdom.

YCC observes all requirements included in the main principles adopted in its operation policies. It confirms the regularity, safety functioning and efficiency of filters in all facilities of the factory in such fashion that far exceeding the requirements determined by the General Presidency of Meteorology & Environment Protection in the Kingdom. YCC obtained the following certificates from the Swiss International Examination CO. (SGS) :-

- Certificate of Conformity of Environmental Management System ISO 14001 (The Company is one of the first companies in the Kingdom that obtained this certificate).
- Management Certificate of Occupational Health and Safety OHSAS 18001 (The Company is the first Saudi company in cement sector that obtained this certificate).
- In 2012, an environmental study was prepared by a company specialized in this field as a major requirement by The General Presidency of Meteorology & Environment Protection Department to issue environment license for the YCC factory.
- In its commitment to environment preservation, YCC has installed filters for kiln No (6) to reduce dust emission from chimneys with a cost exceeding SR (25) million.

10th : Human Resources

YCC pays special attention to its human resources. Thus, the administration encourages employees to positively take part in company development and creation of suitable environment that enable them to work as a single team. The administration also continues supporting their skills and qualifications to improve their performances. The Saudization ratio on 31/12/2012 reached about (56%) of the total company manpower. This is one of the highest ratios in Cement Sector.

Since 1985, the BOD has approved colleagueship loans to assist the Company staff to meet their urgent needs. Amount of loans paid for the year 2012 was SR(6) million in (9)payments for (381) employees.

The company in its efforts to maintain and motivate its human resources, has drafted a resolution of housing loans in 2012 for the employees. Amount paid during 2012 was SR (8,6) million. These loans are paid in accordance with an approved mechanism based on equality principle among the Company staff.



11th: Risks

The company pays much concern on potential risks that may arise from the expected local competition as a result of emergence of new companies in the central region and the expansion of production capacities of other companies. These risks are periodically being reviewed and the appropriate actions are taken to overcome them. There are no other risks. The note No. (31) included in the finance statements may be referred

12th: Corporate Governance

A. The Current Status of the Corporate Governance

YCC has implemented all articles included in the regulation of the Company corporate governance, the most important of which is Non-Conflict of interests that is previously approved by the Board of Directors which are in line with Governance Regulation issued by Saudi Capital Market Authority. A copy was submitted to the Authority on 13/12/2011.

B. The Board of Directors Committees

1- Internal Audit Committee (IAC)

The Internal Audit Committee supervises risk management and internal controls over all company activities. Its responsibilities includes reviewing and discussing the annual and quarterly financial reports of the company. The IAC also submits its recommendation to the Board with respect to the assignment of the external auditor of the Company. It also supervised, examined the works of the internal Audit department in the Company and verified its effectiveness regarding execution of the works and tasks commissioned to this department. It also verified the effectiveness of the Internal Audit in imposing the internal control system through reviewing of internal audit reports and following up the implementation of the corrective actions carried out by the executive work unit of the Company for the observations stated in these reports. The IAC held (5) meetings during 2012.

The IAC consists of the following four Board members:

| | |
|---|----------|
| His Excellency, Mr. Mubark Ben Jaber Al Mehaimeed | Chairman |
| His Excellency, Sheikh Rashid Al Mubarak Al Muraishid | Member |
| His Excellency, Mr. Jamal Ben Ahmed Al Ajajy | Member |
| His Excellency, Eng. Ibrahim Abdulaziz Almuhana | Member |

2- Nominations & Benefits Committee (NBC)

The Nominations & Benefits Committee reviews the structure of the Board of Directors, effectiveness and performance of its members, submits recommendations regarding the changes that may be undertaken, determines strengths and weaknesses points, ensures independency and non-conflict of interests of any board member, recommends the nomination of the board member according to the required needs, and reviews the benefits & compensations of the Board Committees and the Managing Director as well as the salaries of the senior management and Saudization rates.

The NBC consists of the following members:

| | |
|--|-------------|
| His Highness, Prince Sultan Ben Mohammed Ben Saud | Chairman |
| His Excellency, Eng. Faisal Ben Sulaiman Al Rajihi | Member |
| His Excellency, Mr. Fahd Ben Thunyian Al Thunyian | Member |
| His Excellency, Mr. Jehad Ben Abdulaziz Al Rasheed | Member (GM) |

The BNC held (5) meetings during 2012.

C. The Board of Directors (BOD)

The BOD which manages YCC consist of (10) members. (5) Meetings were held by the BOD during 2012. The suggested yearly remunerations for the BOD are as follows:

| Name | Classification | Meetings attended | Annual Benefits | Attendances Allowances* | Salaries Compensations Allowances |
|---|----------------|-------------------|-----------------|-------------------------|-----------------------------------|
| HH/ Prince Turki Ben Mohammed Ben Abdulaziz Ben Turki – Chairman | Independent | 4 | 400 | 12 | |
| HH/ Prince Sultan Ben Mohammed Ben Saud Al-Kabeer - Vice Chairman and Managing Director | Executive | 4 | 200 | 12 | 600 |
| HH/ Prince Khalid Ben Mohammed Ben Abdulaziz Ben Turki | Executive | 5 | 200 | 15 | 476 |
| Mr. /Rashid Mubarak Al- Muraishid | Independent | 5 | 200 | 15 | |
| Dr./ Khalid Sulaiman Al-Rajih ⁽¹⁾ | Independent | 1 | 0 | 3 | |
| Eng./ Faisal Sulaiman Al-Rajih | Non Executive | 4 | 200 | 12 | |
| Mr./ Saud Mohammed Al-Dablan ⁽²⁾ | Non Executive | 3 | 200 | 9 | |
| Mr. Fahd Thinyan Al-Thinyan | Independent | 5 | 200 | 15 | |
| Mr. Turki Nasir Al-Mutawa ⁽³⁾ | Non Executive | 3 | 200 | 9 | |
| Eng./ Ibrahim A. Al-Muhanna | Independent | 5 | 200 | 15 | |
| Mr. Jamal Ahmed Al-Ajajy (GOSI Representative) | Non Executive | 5 | 200 | 15 | |
| Mr. Mubark Jaber Al-Mehaimeed (Public Pension Agency Representative) | Non Executive | 5 | 200 | 15 | |
| Mr. Jihad Abdulazizi Alrasheed (General Manager) | Executive | 2 | 200 | 6 | 2,775 |
| Total | | | 2,600 | 153 | 3,851 |

(1) The session is over and he did not nominated himself for new session that commenced on 29/3/2012

(2) Died on 03/09/2012

(3) Resigned on 15/10/2012

D. Meetings attended by the BOD members during 2012, and their membership at other shareholding Companies

| Name | BOD Meetings | | | | | Membership at other shareholding companies |
|---|--------------|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| HH/ Prince Turki Ben Mohammed Ben Abdulaziz Ben Turki – Chairman | ✓ | ✓ | × | ✓ | ✓ | |
| HH/ Prince Sultan Ben Mohammed Ben Saud Al-Kabeer - Vice Chairman and Managing Director | ✓ | ✓ | ✓ | ✓ | × | -Almaraie Diary Co. -Arabian Shield Corporate Insurance Co |
| HH/ Prince Khalid Ben Mohammed Ben Abdulaziz Ben Turki | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Mr. /Rashid Mubarak Al- Muraishid | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Dr. Khalid Sulaiman Al-Rajih ⁽¹⁾ | ✓ | ○ | ○ | ○ | ○ | |
| Eng.. Faisal Sulaiman Al-Rajih | ○ | ✓ | ✓ | ✓ | ✓ | |
| Mr./ Saud Mohammed Al-Dablan | ✓ | ✓ | ✓ | ○ | ○ | Died on 3/9/2012 |
| Mr. Fahd Thinyan Al-Thinyan | ✓ | ✓ | ✓ | ✓ | ✓ | -National Gypsum Co -National Agri. Development o(NADC) |
| Mr. Turki Nasir Al-Mutawa | ✓ | × | ✓ | ✓ | ○ | Resigned on 15/10/2012 |
| ENG./ Ibrahim A. Al-Muhanna | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Mr. Jamal Ahmed Al-Ajajy (GOSI Representative) | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Mr. Mubark Jaber Al-Mehimeed (Public Pension Agency Representative) | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Mr. Jihad abdalaziz Alraheed | ○ | ○ | ○ | ✓ | ✓ | Representative of YCC in BOD of Hail Cement Co. |

(1) Out of the Board in its new session started on 29/3/2012

E. Stockholdings & Equities of BOD members, executive management, their wives & minors in YCC shares or debts tools or any affiliated companies.

| Name | Shares at the begging of the year | | Shares at the end of the year | | Change during the year | |
|---|-----------------------------------|----------|-------------------------------|----------|------------------------|--------------------|
| | NO. of Shares | %age | NO. of Shares | %age | NO. of Shares | %age |
| Prince / Turki Ben Mohammed Ben Abdulaziz Ben Turki | 23,000 | 0.0170% | 34,500 | %0.0170 | 11,500 | %50 ⁽¹⁾ |
| Prince / Sultan Ben Mohammed Ben Saud Al-Kabeer | 14,201,055 | %10.5193 | 21,301,582 | %10.5193 | 7,100,527 | %50 ⁽¹⁾ |
| Prince / Khalid Ben Mohammed Ben Abdulaziz Ben Turki | 1,000 | 0.0007% | 1,500 | %0.0007 | 500 | %50 ⁽¹⁾ |
| Mr. /Rashid Mubark Al-Miraishid | 147,000 | 0.1089% | 220,500 | %0.1089 | 73,500 | %50 ⁽¹⁾ |
| Eng. Faisal Sulaiman Al-Rajhi ⁽²⁾ | 0 | 0 | 869,912 | %0.4296 | 869,912 | 100% |
| Mr. / Fahd Ben Thinyan Al-Thinyan | 1,000 | 0.0007% | 1,500 | %0.0007 | 500 | 50% ⁽¹⁾ |
| ENG. Ibrahim Abdul-Aziz Al-Muhanna | 4,497 | 0.0033% | 49,000 | %0.0242 | 44,503 | 990% |
| (GOSI) represented by: Mr. Jamal Ahmed Al- Ajajy ⁽³⁾ | 10,560,445 | 7.8226% | 15,840,667 | %7.8226 | 5,280,222 | 50% ⁽¹⁾ |
| (PPA) represented by: Mr. Mubarak Jaber Al Mehaimeed ⁽⁴⁾ | 7,274,404 | 5.3884% | 10,911,606 | %5.3884 | 3,637,202 | 50% ⁽¹⁾ |
| Mr. Jehad Ben Abdalaziz Al Rasheed (GM & Member of BOD) | 1,700 | 0.0013% | 1,000 | %0.0005 | (700) | (%41) |
| Mr. Mohammed A. Alamoudi (GM Finance & IT) | 100 | 0.0001% | 150 | %0.0001 | 50 | 50% ⁽¹⁾ |

(1) Increase in shares resulted from increase of the capital by %50

(2) Joined the Board in its new session on 29/3/2012

(3) These shares are owned by GOSI. Mr. Jamal Al-Ajajy does not own any of the company shares.

(4) These shares are owned by Public Pension Agency. Mr. Mubarak Al-Mehaimeed does not own any of the company shares.

F. Benefits and Compensations of Senior Executives

The benefits and compensations of the six senior executives (General Manager, GM for Finance & IT, GM of Commercial Affairs, Human Resources Manager, Factory Manager, and Internal Audit Manager) are as under:

| | Salaries | Allowances | Benefits |
|----------------------|----------|------------|----------|
| Total ⁽¹⁾ | 4,056 | 1,362 | 2,268 |

(1) Inclusive the salary, allowances and benefits of General Manager mentioned in BOD members

13th: Company Attestations

The company management attests that:

1. The accounts records for the year 2012 have been correctly prepared in accordance with accounting standards and auditing issued by Saudi Organization for Certified Accountants.
2. The Internal Control System has been setup on a sound basis and efficiently implemented.
3. There is no any doubt in the ability of YCC to keep on its activities.
4. There is no any contract of major benefit to any one of the BOD members or the executive management.
5. No investments or reserves are created in favor of YCC staff, e.g. (savings, loans, staff shares..... etc)
6. No punishments or penalties imposed on YCC for short of long run.

14th : Results of the annual audit for the activities and procedures of the internal control system

The Internal Audit Dept. submits periodic reports to the Audit Committee regarding the operational, administrative and financial audits processes undertaken on continuous basis to verify the effectiveness of the internal audit system in protection of the Company assets, evaluation of business risks, and measurement of the effectiveness and efficiency of performance. These audit processes have not shown any substantial weakness in the internal control system of the Company. Most remarks are mainly in the fields of performance improvement, activation of the operational units, raising its efficiency, coordination of the integrated relations within these units, completion of its procedures documentation so as to add more strength to the Company Internal Control System, and to have the best utilization of the available resources. Also, the external auditor evaluates this system as a part of his auditing task of the final financial statements of the Company. He is allowed to review all the minutes of audit committee, and the reports of the internal audit on the financial period under audit.

15th: The Financial Results

Below, is a summary of the financial results for the period from 2008 to 2012

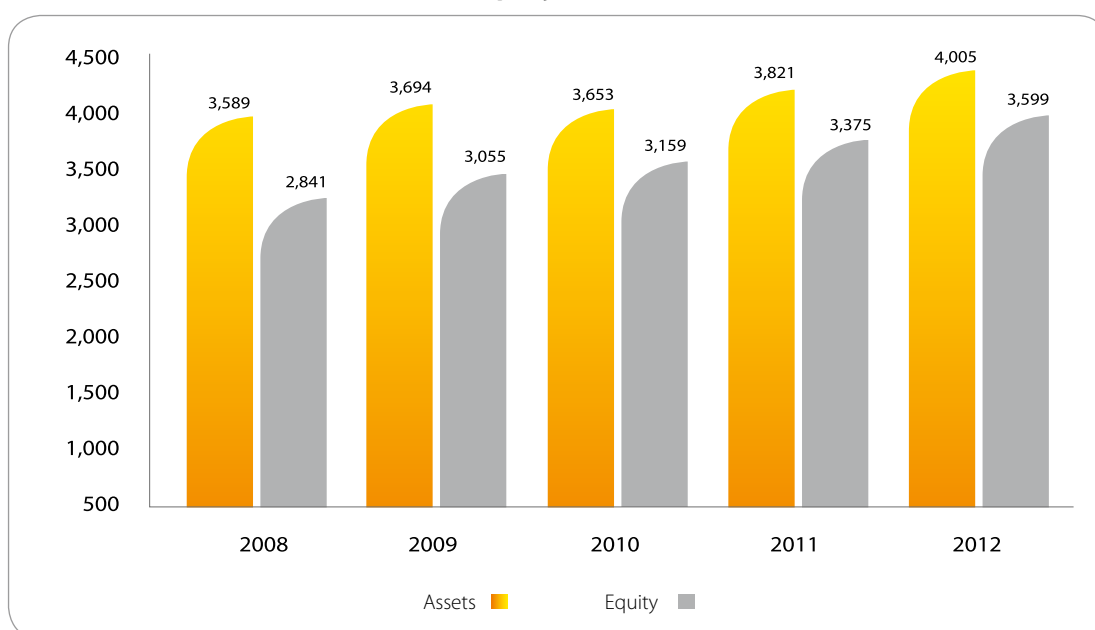
1. Balance Sheet

(in Thousands)

| Statement | Year 2012 | Year 2011 | Year 2010 | Year 2009 | Year 2008 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Current assets | 1,674,709 | 1,322,338 | 1,126,808 | 1,077,312 | 891,835 |
| Non-current assets | 2,330,609 | 2,499,212 | 2,526,580 | 2,616,933 | 2,697,290 |
| Total assets | 4,005,318 | 3,821,550 | 3,653,388 | 3,694,245 | 3,589,125 |
| Current liabilities | 312,739 | 333,776 | 245,763 | 317,692 | 275,074 |
| Long term loans | 31,134 | 48,135 | 189,892 | 267,271 | 421,819 |
| Non-current Liabilities | 62,414 | 64,219 | 59,040 | 54,119 | 50,838 |
| Total Liabilities | 406,287 | 446,130 | 494,695 | 639,082 | 747,731 |
| Shareholders Equities | | | | | |
| Paid-up Capital | 2,025,000 | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 |
| Reserves | 796,947 | 1,316,215 | 1,208,457 | 1,102,283 | 841,194 |
| Unrealized Gains from Investment | 101,867 | 70,119 | 49,831 | 60,832 | 1,409 |
| Retained Earnings | 675,217 | 639,086 | 550,405 | 542,049 | 648,791 |
| Total Shareholders Equities | 3,599,301 | 3,375,420 | 3,158,693 | 3,055,164 | 2,841,394 |
| Shareholders Equities & Liabilities | 4,005,318 | 3,821,550 | 3,653,388 | 3,694,246 | 3,589,125 |

The following chart illustrates the progress of Assets and Share Holders Equity during the last five years (2008 – 2012):

Assets and Shareholders Equity from 2008 to 2012 (SR Million)



2. Income Statement

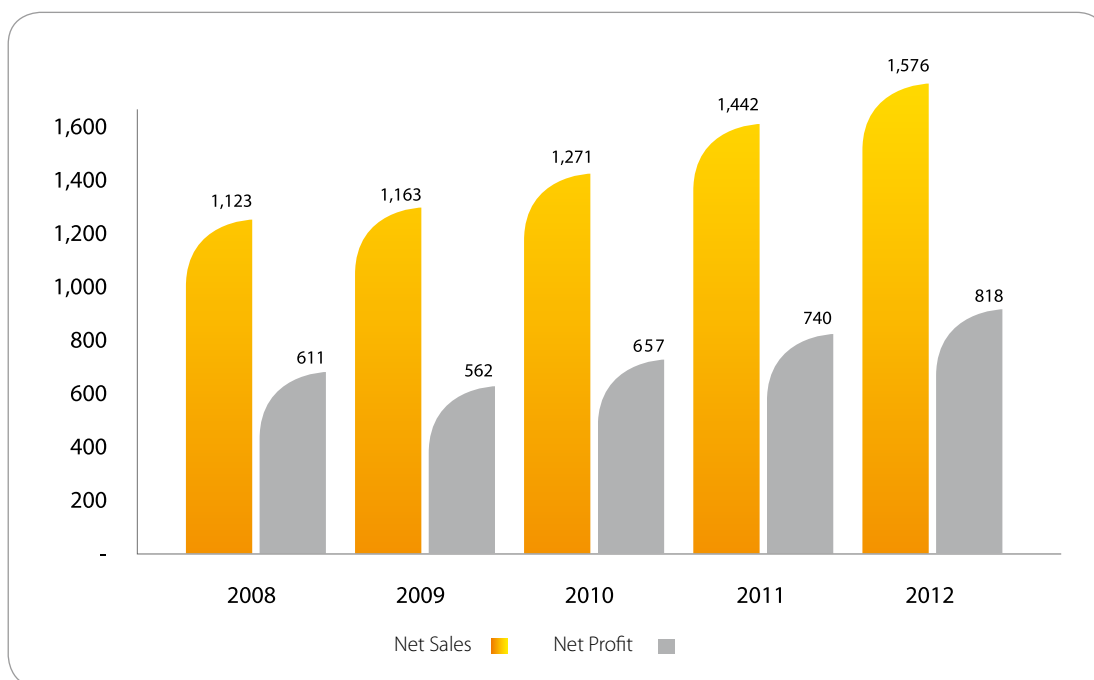
(in Thousands)

| Statement | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|---------------------|-----------|-----------|-----------|-----------|
| Net Sales | 1,575,843 | 1,442,218 | 1,271,929 | 1,163,006 | 1,122,933 |
| Cost of Sales | (661,762) | (632,954) | (560,055) | (546,957) | (478,196) |
| Gross Profit | 914,081 | 809,265 | 711,874 | 616,049 | 644,737 |
| Total Admin., Marketing & General Expenses | (73,096) | (809,265) | (51,606) | (55,311) | (57,982) |
| Other Income | 24,571 | 18,158 | 21,662 | 19,009 | 38,130 |
| Zakat | (48,000) | (24,000) | (25,000) | (18,000) | (14,000) |
| Net Income | 817,556 | 739,761 | 656,930 | 561,747 | 610,885 |
| Earnings Per Share (EPS) | ⁽¹⁾ 4,04 | 5,48 | 4,87 | 4,16 | 4,53 |

(1) The Capital was increased by %50 in accordance with the decision of the 14th Extra Ordinary General Assembly held on 26/2/2012 that ratified the increment of the capital by offering one (1) share as a bonus for every two (2) owned shares. Therefore, the capital after the increment amounted to SR (2,025) million instead of SR (1,350) million.

The following chart illustrate the progress of Net Sales and Net Profit during the last five years (2008 – 2012):

Net Sales and Net Profit from 2008 to 2012 (SR Million)



16th: Company's Profit Appropriation Policy

Company Policy of Appropriation of its net annual profit, relies on regulations stated in the company's articles of association, cash availability necessary for payment of investments and company strategic projects. Profits are appropriated as follows:

1. 10% of the net profit shall be set aside to establish Statutory Reserve (to be suspended when the reserve amounts to half of the paid-up capital).
2. 5% of the paid-up capital shall be distributed to shareholders as first payment.
3. Remuneration of the Board's members shall be deducted from the balance as per regulations and instructions set up for this purpose.
4. Additional dividend from the balance may be distributed to shareholders upon BOD recommendation.
5. Based on recommendation of the BOD, the General Assembly may establish additional reserve or other reserves in appropriate amount that preserve the strength of the company financial position and grantee suitable and steady distribution of profit.

Suggested Profit Appropriation for the year 2012

(in Riyals)

| | |
|---|---------------|
| Net profit after deducting Provision of Zakat | 817,556,884 |
| Less : 10% of net profit as Legal Reserve | (81,556,688) |
| Balance | 735,801,196 |
| Less: First dividend to shareholders at 5% of the paid-up capital | (101,250,000) |
| Balance | 634,551,196 |
| Less: Board of Directors remuneration | (2,400,000) |
| Balance | 632,151,196 |
| Plus: Profit carried forward from previous year after appropriation | 245,565,638 |
| Total : | 877,716,834 |
| Less: additional Dividend to shareholders at 25% of paid-up capital | (506,250,000) |
| Balance : to be carried forward to the next year | 371,466,834 |

Based on the consent of Capital Market Authority No (2-2-2012) dated 14/02/1433H corresponding to 08/01/2012 for increasing YCC capital, the 14th Extra Ordinary General Assembly held on 26/2/2012 has decided to increase the capital of YCC by offering one (1) share as a bonus for every two (2) owned shares. Therefore, the capital after the increment amounted to SR (2,025) million instead of SR(1,350) million.

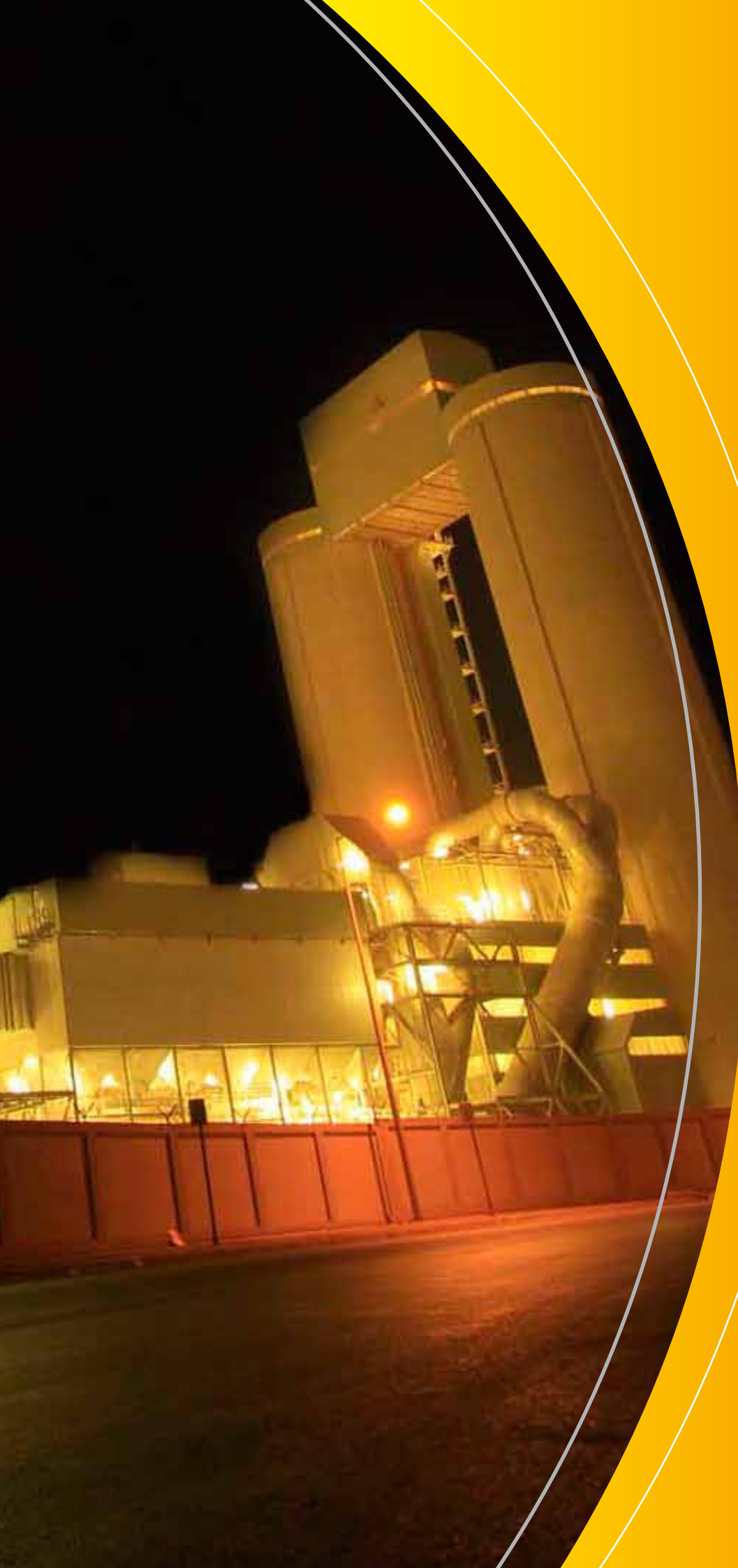


Assembly to vote on the terms of

**17th: Board of Directors Recommendation
to General Assembly 47th**

Assembly to vote on the terms of

CUT - OUT



17th: Board of Directors Recommendation to General Assembly

1. Approval of the Board of Directors report.
2. Approval of the Financial Statements as on 31/12/2012, and the report of the external auditor.
3. Free the members of the board from any consequences of their activities during the year 2012, and until the date of the General Assembly Meeting.
4. Approval of the Board of Directors' proposal regarding the distribution of the profits for the year 2012 by SR (3) as dividends. It should be mentioned that SR (1.5) is distributed to the shareholders for the 1st half of the year 2012 with total amount of SR (303.75) million that represent (15%) of the Company capital. The eligibility for the 2nd half dividend which is SR (1.5) per share with total amount of SR (303.75) million and represent 15% of the Company capital of the shareholders who registered in "Tadawul" records at the end of the General Assembly meeting day. Therefore, the total amount that shall be distributed is SR (607.5) million which represent 33% of YCC capital and the date of distribution of profits shall be announced later.
5. Approval of the assignment of the certified accountant nominated by the Audit Committee to audit the company accounts for the fiscal year 2013, as well as the quarterly financial statements, determine his fees or assign another auditor.
6. Approval of the transactions of the related parties with YCC among which is Yemeni Saudi Cement Co. where YCC investment reached 20% of the capital and to license it for the coming year.
7. Approval of the recommendation of BOD regarding the appointment of Mr. Jehad Abdulaziz Alrasheed the GM of YCC as a member of BOD commences 15/10/2012 until the rest of this session that ends on 29/3/2015 (Normal voting).
8. Approval of participation of Mr. Jehad Abdulaziz the GM & member of the BOD in a competitive business to YCC business in his capacity as a representative of YCC in the BOD of Hail Cement Co.
9. Approval of appointment of Mr. Jehad Abdulaziz the GM & member of the BOD in the membership of the BOD of Cement products Industry Co (Related parties).
10. Approval of the amendment of the article No 55, clause (2) of the Corporate Governance Regulation as follow: The quorum of the committee meeting is attained by attendance of two or more members, and in the event of absence of the chief of the committee, the rest of the committee members shall select one of the members as a chief of the committee.

In accordance with the article No.(36) of the Article of Association of the Company, the eligibility of attending the Ordinary Assembly is for the shareholders who own (20) shares or more. The shareholder has the right to delegate another shareholder provided that he is not a member of the BOD. The attending shareholders (Personally or delegated member) are requested to bring with them their identity and the document of their shares ownership in accordance of the ministry of commerce circular No. 222/81/9/4380 dated 06/11/1421H keeping into consideration that the Assembly will not be held unless the quorum is attained which is equivalent to 50% of the capital.

The Board of Directors would like to extend its thanks for your precious confidence entrusted to it, and pray to Allah Almighty to guard the Custodian of the Two Holy Mosques, King Abdullah Ben Abdulaziz, H.R.H Crown Prince Salman Ben Abdulaziz, deputy premier and minister of defense, guide them and their wise government to achieve the welfare for this country and the citizens, protect the Kingdom from all evils, and safeguard the Kingdom with security and peace.

The BOD would also like to extend its thanks and appreciations to all employees of the YCC for their serious and sincere efforts that aim at preserving the continuation, progress, and prosperity of the Company.

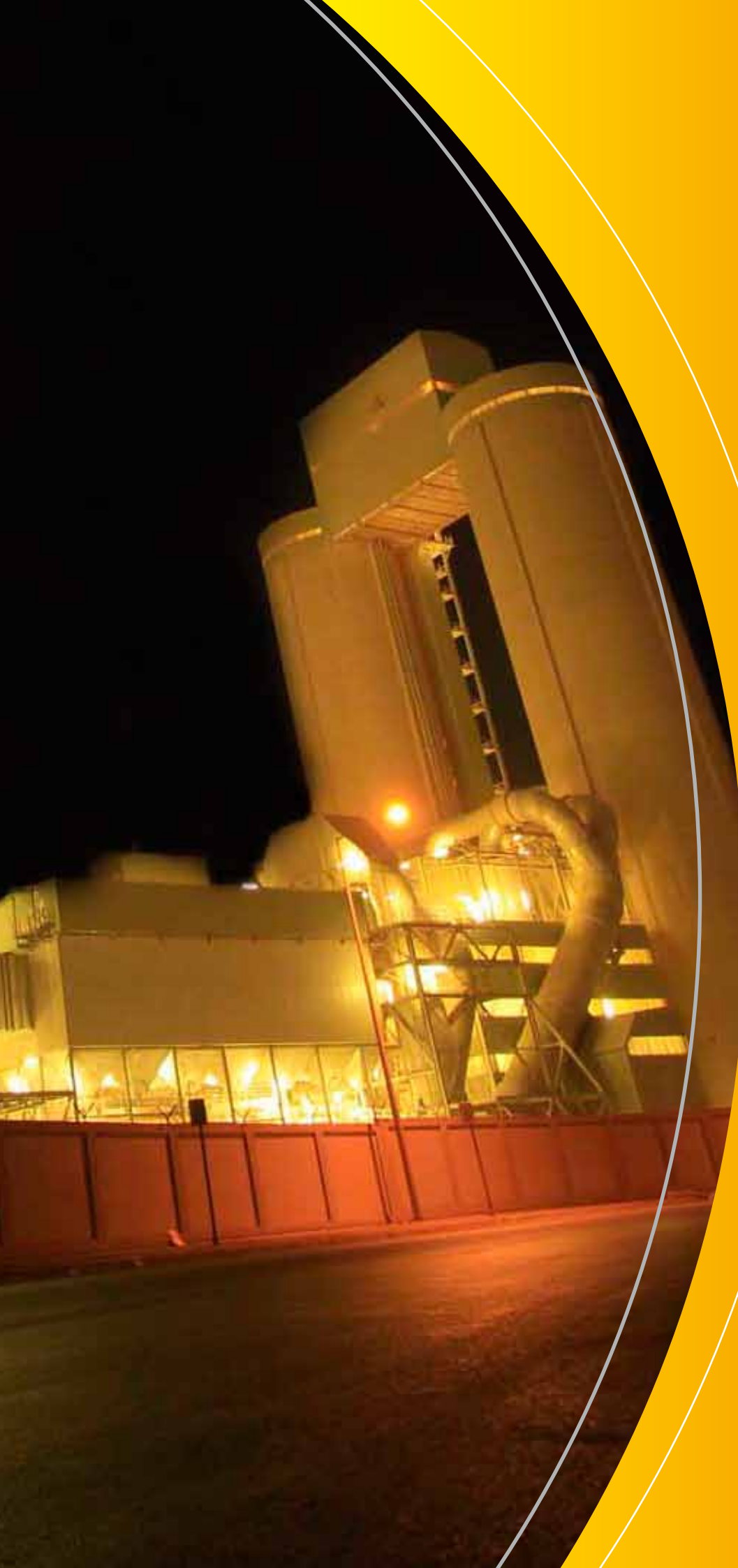
Board of Directors



Auditor's Report and financial statements

**Yamama Cement Company
Saudi Joint Stock Company**

**Riyadh-KSA
Financial Statements As
At December 31,2012**



AL-Kharashi Certified Accountant's Auditors



January 7, 2013

Auditor's Report

To the **Shareholders**
Yamama Saudi Cement Company

We have audited, the accompanying Balance Sheet of **Yamama Saudi Cement Company** - Saudi Joint Stock Company - as at December 31, 2012, Statements of Income, Cash Flows and Changes in Shareholders' Equity for the year ended, together with the Notes from No. (1) to No. (31) which form an integral part of these financial statements. These statements prepared by the company in accordance with article 123 of the Saudi Regulations for Companies and have been submitted to us together with all requested information and data. We conducted our audit in accordance with Generally Accepted Auditing Standards, including audit of the accounting records and other procedures, which we deem as necessary to form a reasonable degree of conviction enabling us to express our opinion on the financial statements.

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

1. Present fairly the financial position of **Yamama Saudi Cement Company** – Saudi Joint Stock Company as at December 31, 2012 and the results of its operations & Cash Flows for the year ended in accordance with the presentation and disclosure of information maintained in the financial statements and with the Accepted Accounting Standards appropriate to the circumstances of the Company.
2. The preparation and presentation of the financial statements are consistent with the requirements of the Saudi Regulations for Companies, as well as with the Company's Bylaw.

The automated accounting records maintained by the Company, comply with its financial statements.


Suliman A. Al-Kharashi
C.A. License No. 91



Suliman A. Al-Kharashi
C. A. License No. 91

Member of



MAZAR

Yamama Cement Company Saudi Joint Stock Company

Balance Sheet

| Assets | Note | As of December 31 | |
|--|------|----------------------|----------------------|
| | | 2012 | 2011 |
| | | SR | SR |
| Current Assets: | | | |
| Cash in hand and in banks | 3 | 47,970,903 | 65,813,720 |
| Investments in Islamic Funds | 4 | 1,193,105,896 | 832,155,307 |
| Accounts Receivable | 5 | 321,892,401 | 300,565,442 |
| Due from Related Parties | 6 | 24,486,571 | 23,950,382 |
| Inventories | 7&19 | 66,109,020 | 136,660,647 |
| Other accounts receivable | 8 | 21,144,666 | 21,297,218 |
| Total Current Assets | | 1,674,709,457 | 1,380,442,716 |
| Non-Current Assets | | | |
| Fixed Assets, Net | 9 | 1,809,396,332 | 1,958,906,060 |
| Capital Works in Progress | 10 | 69,175,776 | 40,454,070 |
| Long Term Investments, Net | 11 | 438,291,128 | 419,194,839 |
| Deferred Expenses, Net | | 13,745,862 | 22,552,733 |
| Total Non-Current Assets | | 2,330,609,098 | 2,441,107,702 |
| Total Assets | | 4,005,318,555 | 3,821,550,418 |
| Liabilities & Shareholders' Equity | | | |
| Liabilities: | | | |
| Current Liabilities | | | |
| Accounts Payable | 12 | 182,014,187 | 103,086,939 |
| Due to Related Parties | 6 | 1,584,000 | 3,070,551 |
| Long Term Loans – short portion | 13 | 16,983,000 | 141,775,000 |
| Dividend Shares Payable & Other Due to share holders | | 43,135,990 | 39,107,131 |
| Accrued expenses and other current liabilities | 14 | 21,447,099 | 18,056,442 |
| Provision for Zakat | 15 | 47,575,084 | 28,697,850 |
| Total Current Liabilities | | 312,739,360 | 333,793,913 |
| Non-Current Liabilities: | | | |
| Long Term Loans | 13 | 31,134,000 | 48,117,000 |
| Provision for End of Service Indemnity | 2 | 62,414,193 | 64,219,440 |
| Total Non-Current Liabilities | | 93,548,193 | 112,336,440 |
| Total Liabilities | | 406,287,553 | 446,130,353 |
| Shareholder's Equity: | | | |
| Capital Paid | 16 | 2,025,000,000 | 1,350,000,000 |
| Statutory Reserve | 17 | 471,946,991 | 390,191,303 |
| Additional Reserve | 18 | 325,000,000 | 1,000,000,000 |
| Retained Earnings | 19 | 675,216,835 | 565,110,249 |
| Un-Realizable Gain from Investments | | 101,867,176 | 70,118,513 |
| Total Shareholders' Equity | | 3,599,031,002 | 3,375,420,065 |
| Total Liabilities & Shareholder's Equity | | 4,005,318,555 | 3,821,550,418 |

The accompanying notes are an integral part of these financial statements



Yamama Cement Company Saudi Joint Stock Company

Statement Of Income

| | Notes | For The Year Ended December 31 | |
|--|-------|--------------------------------|---------------|
| | | 2012 | 2011 |
| | | SR | SR |
| Sales, Net | | 1,575,843,467 | 1,442,218,370 |
| Cost of Sales | | (661,762,067) | (632,953,609) |
| Gross Profit | | 914,081,400 | 809,264,761 |
| Expenses: | | | |
| Selling & Distribution Expenses | 20 | 6,693,966 | 15,698,769 |
| General & Administrative Expenses | 21 | 40,126,514 | 38,330,271 |
| Depreciation of Fixed Assets | 22 | 2,246,919 | 2,366,702 |
| Provision for End of Service Indemnity | | 2,066,179 | 2,232,632 |
| Total Expenses | | 51,133,578 | 58,628,374 |
| Income From Main Activities | | 862,947,822 | 750,636,387 |
| Financing Expenses | | (6,962,046) | (5,033,517) |
| Other Income | 23 | 24,571,109 | 18,158,140 |
| Provision for Investments | 11 | (15,000,000) | - |
| Income For The Year Before Zakat | | 865,556,885 | 763,761,010 |
| Provision for Zakat | | (48,000,000) | (24,000,000) |
| Net Income For The Year | | 817,556,885 | 739,761,010 |
| Earnings per share from main activities | | 4,26 | 3,71 |
| Earnings per share from other activities | | 0,013 | 0,065 |
| Earnings per share | | 4,04 | 3,65 |

The accompanying notes are an integral part of these financial statements

Yamama Cement Company Saudi Joint Stock Company

Statement Of Cash Flows

| | For the year ended December 31, | |
|---|---------------------------------|---------------|
| | 2012 | 2011 |
| | SR | SR |
| Cash Flows From Operating Activities | | |
| Net Income for the Year | 817,556,885 | 739,761,010 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation of Fixed Assets | 190,367,867 | 188,253,810 |
| Amortization of Deferred Expenses | 8,806,871 | 7,401,444 |
| Provision for Zakat | 48,000,000 | 24,000,000 |
| Provision for Spare Parts Obsolescence | 5,000,000 | 5,000,000 |
| Provision for End of Service Indemnity | 9,321,267 | 8,151,634 |
| Provision for Investments | 15,000,000 | |
| (Gain) from Sale of Fixed Assets | (838,250) | (18,000) |
| (Gain) from Investment in portfolio | (2,767,373) | (104,254) |
| (Gain) from Investment in Affiliated Companies and free shares | (2,347,624) | (2,872,247) |
| (Increase in) Accounts Receivable | (21,326,959) | (55,193,958) |
| Decrease (Increase) in Inventories | 70,551,627 | (4,393,880) |
| Decrease in Other accounts receivable | 152,552 | 2,546,901 |
| Changes in Related Parties | (2,022,740) | (1,691,558) |
| Increase in Accounts Payable | 78,927,248 | 15,781,465 |
| Increase in Accrued expenses and other current liabilities | 3,390,657 | 10,481,988 |
| Zakat Paid | (29,122,766) | (21,114,296) |
| End of Service Indemnity Paid | (11,126,514) | (2,971,970) |
| Net Cash Flows From Operating Activities | 1,177,522,748 | 913,018,089 |
| Cash Flows From Investing Activities | | |
| Decrease (Increase) in Islamic funds' Investments | (358,183,218) | (160,527,150) |
| (Increase) long term Investments | - | (1,929,048) |
| (Addition) on property and equipment, Net | (30,074,070) | (30,779,453) |
| (Increase) in Deferred Expenses | - | (11,018,423) |
| Changes in Spare Parts Stock | (15,784,069) | (15,284,771) |
| (Increase) in Capital Work in Progress | (28,721,706) | (33,011,154) |
| Proceeds from Sale of Fixed Assets | 838,250 | 18,000 |
| Net Cash Flows (used in) Investing Activities | (431,924,813) | (252,532,000) |
| Cash Flows From Financing Activities | | |
| Installments Paid for Loans | (141,775,000) | (77,379,000) |
| Dividends & Other due paid to Shareholders | (569,721,141) | (544,532,751) |
| Previous Year Adjustments | (49,544,611) | (921,420) |
| Bones for shareholders | (2,400,000) | (2,400,000) |
| Net Cash Flows (used in) Financing Activities | (763,440,752) | (622,833,171) |
| Net increase in Cash | (17,842,817) | 37,652,918 |
| Cash At Beginning Of The Year | 65,813,720 | 28,160,802 |
| Cash At End Of The Year | 47,970,903 | 65,813,720 |
| Non-Cash Investing Activities | | |
| Un-Realizable Gain from Investments | 31,748,664 | 20,287,468 |
| Transfer from capital works in Progress to fixed assets | 27,444,044 | 3,658,898 |

The accompanying notes are an integral part of these financial statements

Yamama Cement Company Saudi Joint Stock Company

Statement Of Changes In Shareholder's Equity

| | Paid Capital | Statutory Reserve | Additional Reserve | Retained Earnings | Unrealizable Profit from Investments | Total |
|---|---------------|-------------------|--------------------|-------------------|--------------------------------------|---------------|
| | SR | SR | SR | SR | SR | SR |
| Balance at 1/1/2011 | 1,350,000,000 | 250,522,190 | 957,935,136 | 550,404,636 | 49,831,045 | 3,158,693,007 |
| Adjustment for previous Year | - | - | - | (921,420) | - | (921,420) |
| Net Income for the Year | - | - | - | 739,761,010 | - | 739,761,010 |
| Transferred to Statutory Reserve for 2010 | - | 65,693,012 | - | (65,693,012) | - | - |
| Transferred to Statutory Reserve for 2011 | - | 73,976,101 | - | (73,976,101) | - | - |
| Transferred to Additional Reserve | - | - | 42,064,864 | (42,064,864) | - | - |
| Dividend to Shareholders | - | - | - | (540,000,000) | - | (540,000,000) |
| Directors' Remuneration | - | - | - | (2,400,000) | - | (2,400,000) |
| Unrealizable Profit from Investments | - | - | - | - | 20,287,468 | 20,287,468 |
| Balance as at December 31, 2011 | 1,350,000,000 | 390,191,303 | 1,000,000,000 | 565,110,249 | 70,118,513 | 3,375,420,065 |
| Adjustment for previous Year | - | - | - | (49,544,611) | - | (49,544,611) |
| Transferred from Reservesto capital | 675,000,000 | - | (675,000,000) | - | - | - |
| Net Income for the Year | - | - | - | 817,556,885 | - | 817,556,885 |
| Transferred to Statutory Reserve | - | 81,755,688 | - | (81,755,688) | - | - |
| Dividend to Shareholders | - | - | - | (573,750,000) | - | (573,750,000) |
| Directors' Remuneration | - | - | - | (2,400,000) | - | (2,400,000) |
| Unrealizable Profit from Investments | - | - | - | - | 31,748,663 | 31,748,663 |
| Balance as at December 31, 2012 | 2,025,000,000 | 471,946,991 | 325,000,000 | 675,216,835 | 101,867,176 | 3,599,031,002 |

The accompanying notes are an integral part of these financial statements

Note 1 - The Company and Nature of its Business:

A. The Establishment of The Company:

Yamama Cement Company is a Saudi Joint Stock Company - formed by Royal Decree No. 15 dated 13/3/1381H – under Commercial Registration No. 1010001578 dated 18-4-1379H.

B. The Nature of the Company's Activity:

The Company's activities are the production and manufacturing cement as well as substances & derivatives in privilege zone in addition to the trading.

The annual production capacity of the factories is 6,000,000 tons clinker per year, which is approximately equal to 6,300,000 tons of cement.

C. Fiscal Year

The fiscal year of the company starts from first January to end of December every year.

Note 2 - Summary of Significant Accounting Policies:

Accounting Convention:

The financial statements, which are expressed in Saudi Riyals (SR), have been prepared under the historical cost convention, and with the standard of general presentation and disclosure and in accordance with accounting principles generally accepted in Saudi Arabia and in accordance with the requirements of the regulations for companies and the company's articles of association.

Inventory:

- Stock of raw material, packing utilities etc. and products in process are valued at cost on moving weighted average method.
- Finished products stock is valued at cost or market price whichever is less.

Fixed Assets:

Fixed assets are recorded based on cost, which includes additions and improvements enhancing those asset's productivity and useful life. Depreciation is computed using the straight-line method over the estimated lifetime of the fixed assets based on the following:

| Buildings, Constructions, Roads and Facilities | 3% - 10% |
|--|----------|
| Plants & Machineries | 7% - 15% |
| Vehicles & Transportation Vessels | 25% |
| Tools | 10% |
| Furniture & Office Equipment | 20% |

Spare-parts of Plants & Machineries are valued at cost and on moving weighted average method.

Deferred Revenue Expenses:

It represents the expenses of overhaul of kilns & mills. It is amortized at 20% & 50% on straight line method.



Investments:

Investments by the Company in other Companies and its investments in financial securities and its revenues are recorded according to the generally accepted accounting standards as follows:

- a. Investments in affiliated companies, which the parent holds less than 50% and more than 20% are recorded according to equity method.
- b. The Companies' investment in long term available for sale financial securities are evaluated and recorded at fair value at the end of the financial year, the difference is recorded as unrealized gains or losses in the stockholders equity's section.

Related Parties:

The related parties are being treated within the normal operations of the Company by the fair value of those transactions.

Provision for termination pay:

Provision has been made for end of service benefits payable to employees accumulated from beginning of services till the date of these financial statements as per Saudi Labour Law.

Revenue Recognition

- Revenue is recognized upon issuance of sales orders and deliver the goods to clients.
- Revenue from investments in affiliated Companies which the Company owns more than 20% of capital according to financial statements issued for these Companies are calculated and recorded as per equity method.
- Revenue from investments in affiliated Companies which the Company owns less than 20% and less than 50% of capital is calculated and recorded when dividends are declared.
- Revenue from the lease of the Company's Building is recognized on maturity date and on pro-rata lease for the Year.
- The Revenue from short term investments bonds at banks is recorded on maturity date.



Sales and Marketing Expenses:

All manpower costs belong to sales and marketing department, advertising costs and sales and marketing of company's productions are recorded as sales and marketing expenses.

Advertising cost can be capitalized as deferred expenses in conditions sharing to have future benefits and not to spend it periodically during coming years and amortized on straight-line bases over their useful life or 5 years which is less.

Financial Charges:

Financial charges belong to the loans used in the current activities are recorded as expenses in the income statement of the year.

Administrative and General Expenses:

All expenses belong to the head office are recorded as administrative and general expenses, as well as the current expenses which was not included in cost of production or sales and marketing expenses.

Foreign Currencies:

Transactions in foreign currencies are recorded at exchange rates prevailing at the date of such transactions. At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the prevailing exchange rates on that date. Gains and losses resulting from changes in the exchange rates are recognized in the statement of income.

Zakat:

- In accordance with regulations of the department of Zakat and Income Tax in the Kingdom of Saudi Arabia the Company is subject to Zakat. A provision is calculated for the estimated Zakat payable.
- The Company submitted its Zakat Declaration for the previous years till the year 2011 and Zakat accruals have been paid according to this.
- The Company got the Zakat certificate for the financial year 2011.

Note 3 - Cash in Hand and in Banks:

| | As of December 31 | |
|--------------------------|-------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Cash in Hand | 11,309 | 42,590 |
| Banks – Current Accounts | 47,959,594 | 65,771,130 |
| Total | 47,970,903 | 65,813,720 |

Note 4 - Investment in Islamic Funds:

Investments in Islamic fund represents the Company's investments in local banks which equals SR 1,193,105,896 on 31 December 2012(SR 832,155,307in 31 December 2011).

Note 5 - Accounts Receivable:

| | As of December 31 | |
|----------------------|--------------------|--------------------|
| | 2012 | 2011 |
| | SR | SR |
| Clients– Trade | 310,808,789 | 296,963,437 |
| Advance to suppliers | 11,083,612 | 3,602,005 |
| Total | 321,892,401 | 300,565,442 |

Note 6 - Related Parties:

Dealing with related parties are in ordinary scope of work for the Company. Determining the value of those transactions by fair value.

| | Nature of Relation | Type of Transactions | Opening Balance | Total Debit Movement | Total Credit Movement | Closing Balance |
|---|--|-------------------------------|-------------------|----------------------|-----------------------|-------------------|
| Due from Related Parties: | | | | | | |
| Arabian Shield Co-operative Insurance Co. Saudi Joint Stock Co. | The Company Owns 5% of its Capital | Insurance | 485,237 | 11,452,880 | 10,916,691 | 1,021,426 |
| Cement Co.-Yamani Joint Stock Co.- Private | The Company Owns 20% of its Capital | Cash transfer | 19,515,145 | - | - | 19,515,145 |
| Cement Product Industry Co. Ltd. | The Company owns 33.33% of its Capital | Cash transfer | 3,950,000 | - | - | 3,950,000 |
| Total | | | 23,950,382 | 11,452,880 | 10,916,691 | 24,486,571 |
| Due to Related Parties: | | | | | | |
| Cement Product Industry Co. Ltd. | The Company owns 33.33% of its Capital | Purchasing Packing Paper Bags | 3,070,551 | 27,845,046 | 26,358,495 | 1,584,000 |

Note 7 - Inventory:

| | As of December 31 | |
|---------------------|-------------------|--------------------|
| | 2012 | 2011 |
| | SR | SR |
| Products in Process | 49,252,124 | 118,694,260 |
| Fuel & oil | 6,281,686 | 7,181,679 |
| Finished Products | 4,676,983 | 6,600,986 |
| Raw materials | 5,774,407 | 3,796,057 |
| Packing bags | 121,172 | 377,071 |
| Others | 2,648 | 10,594 |
| Total | 66,109,020 | 136,660,647 |

Note 8 - Other Accounts Receivable:

| | As of December 31 | |
|----------------------|-------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Sundries Receivables | 2,399,311 | 4,543,023 |
| Pre-paid expenses | 1,021,250 | 3,738,233 |
| Advances to Staff | 8,177,101 | 315,159 |
| Letters of credit | 9,481,277 | 12,623,006 |
| Others | 65,727 | 77,797 |
| Total | 21,144,666 | 21,297,218 |

Note 9 - Fixed Assets:

| | As of December 31 | |
|---|----------------------|----------------------|
| | 2012 | 2011 |
| | SR | SR |
| Property, plant and equipment, net _ Note 9/1 | 1,548,309,782 | 1,708,603,580 |
| ADD: | | |
| Spare Parts Kilns and Machineries | 287,502,728 | 285,696,145 |
| Prov. for Spare Parts Mach.& Kilns | (26,416,178) | (35,393,665) |
| Spare Parts Kilns and Mach. Net | 261,086,550 | 250,302,480 |
| Total | 1,809,396,332 | 1,958,906,060 |

Note 9/1 - Fixed Assets:

| | Land | Building, Construction Facilities & Roads | Plants & Machinery of the Factory | Vehicles and Transportation Vessels | Tools | Furniture & Office Equipment | Total |
|---------------------------|------------|---|---|---|-----------|---------------------------------|---------------|
| | SR | SR | SR | SR | SR | SR | SR |
| <u>Cost</u> | | | | | | | |
| As at 01-01-2012 | 12,234,510 | 1,168,710,944 | 2,934,679,863 | 19,785,551 | 7,315,370 | 10,965,248 | 4,153,691,486 |
| Additions during the Year | - | 12,298,127 | 13,838,400 | 3,436,705 | - | 500,838 | 30,074,070 |
| Disposal during the Year | - | - | 1,869,611 | 2,668,580 | - | - | 4,538,191 |
| As at December 31, 2012 | 12,234,510 | 1,181,009,071 | 2,946,648,652 | 20,553,676 | 7,315,370 | 11,466,086 | 4,179,227,365 |
| <u>Depreciation</u> | | | | | | | |
| As at 01-01-2012 | - | 751,195,682 | 1,660,920,141 | 17,835,462 | 7,315,364 | 7,821,257 | 2,445,087,906 |
| Depreciation for the year | - | 41,381,615 | 146,888,232 | 1,008,465 | - | 1,089,555 | 190,367,867 |
| Disposal & Settlements | - | - | 1,869,610 | 2,668,580 | - | - | 4,538,190 |
| As at December 31, 2012 | - | 792,577,297 | 1,805,938,763 | 16,175,347 | 7,315,364 | 8,910,812 | 2,630,917,583 |
| <u>Net Book Value:</u> | | | | | | | |
| As at December 31, 2012 | 12,234,510 | 388,431,774 | 1,140,709,889 | 4,378,329 | 6 | 2,555,275 | 1,548,309,782 |
| As at December 31, 2011 | 12,234,510 | 417,515,262 | 1,273,759,722 | 1,950,089 | 6 | 3,143,992 | 1,708,603,580 |

The Company's factory along with its building and related facilities are erected on land owned by the Company from Riyadh Municipality according to deed No. 256/6 dated 12-5-1387H its book value is zero.

The land of this factory is 4,816,250 M2 in Riyadh City owned by the Company according to deed No. 256/6 dated 12-5-1387H, along with its buildings and all facilities erected on it equipment & machineries are mortgaged in favour of Saudi Industrial Development Funds against the granted loan.



Note 10 - Capital Work in Progress:

| | As of December 31, | |
|--|--------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Old Filling update project | 17,071,402 | - |
| Business Planning System | 7,127,193 | 2,799,573 |
| Improving Kilns (1-5) | 6,062,101 | 2,679,621 |
| Line (6) filters project | 5,345,528 | - |
| Project for housing at the factory (15 villas) | 5,015,981 | 3,284,103 |
| Constructing new tank for raw oil | 4,332,216 | 2,143,600 |
| Line (7) Cooling project | 3,944,308 | - |
| Transferring Kilns 3- 4 -5 dust to line 7's store | 3,314,608 | 2,828,583 |
| Automatically Transferring Chemical Materials to Tanks | 2,723,800 | 472,000- |
| Evaluation of the factory environmental status project | 1,649,800 | - |
| Addition 50 Rooms to Staff Housing | 1,534,710 | 742,610 |
| Moving conditioning tower for mill (7) | 1,271,000 | 1,138,000 |
| Installation of sprinkle system for smothering (extinguishing) quarry dust project | 1,217,799 | - |
| Mechanical workshop renovation project | 1,104,000 | - |
| Machinery for new Stone | - | 5,094,740 |
| Provide Electricity to Housing from Planet | - | 3,499,700 |
| Internal fence and families club project | - | 1,688,000 |
| Renewal cement balances and replace control system | - | 1,484,760 |
| Loading Liquid Cement Project | - | 1,431,000 |
| Repair & Paint of Mills Filters No. (788) Kiln No. (7) | - | 1,365,139 |
| Transferring additional materials to mill's store (5) | - | 1,165,600 |
| Other projects | 7,461,330 | 8,637,041 |
| Total | 69,175,776 | 40,454,070 |



Note 11 - Long - Term Investments:

| | Equity % | As of December 31 | |
|---|-------------|--------------------|--------------------|
| | | 2012 | 2011 |
| | | SR | SR |
| 1. Investments in affiliated Companies: | | | |
| Saudi Yamani Cement Co.-Yamani Closed Joint Stock | 20 | 75,060,000 | 75,060,000 |
| Less: Provision for Investments | | (15,000,000) | - |
| Net, Investment in Saudi Yamani co. | | 60,060,000 | 75,060,000 |
| Cement Product Industry Co. Ltd., Jeddah | 33.33 | 25,814,981 | 23,457,981 |
| Total | | 85,874,981 | 98,517,981 |
| 2. Investments in Securities: | | | |
| Industrialization & Energy Service Co. (Joint Stock Co.) | | 112,499,970 | 112,499,970 |
| Sahara Petrochemical Co. (Join Stock Co.) | | 69,366,177 | 79,348,763 |
| Al-Kian Petrochemical Co.-KIAN | | 6,250 | 15,625 |
| Kian Saudi Petrochemical Co.-KIAN- (Joint Stock Co) | | 11,343,750 | 16,312,500 |
| Arabian Shield Co-operative Insurance Co. – Joint Stock Co. | | 47,900,000 | 20,700,000 |
| Hail Cement Co. – Saudi Joint Stock | | 111,300,000 | 91,800,000 |
| Total | | 352,416,147 | 320,676,858 |
| Total Investments | | 438,291,128 | 419,194,839 |



Note 12 - Accounts Payable:

| | As of December 31, | |
|-----------------------|--------------------|--------------------|
| | 2012 | 2011 |
| | SR | SR |
| Suppliers | 61,240,341 | 68,176,433 |
| Advances from clients | 1,352,842 | 1,114,878 |
| Income in advance | 119,421,004 | 33,795,628 |
| Total | 182,014,187 | 103,086,939 |

Note 13 - Long - Term Loans:

Loan from Saudi Industrial Development Fund:

According to the loan No. 1878 dated Dhul-Hijjah, 1425H corresponding May, 12 2005 the company has obtained a loan from Saudi Industrial Development Fund with amount of SR 459,796,000 against the mortgage of land plot 4,816,250 M2 located in Riyadh and owned by the Company according to deed No. 256/6 dated 3/5/1387H. Along with its buildings, factory, installations, annexes as well as equipment, machineries, in addition to a promissory note signed by the Company's Managing Director.

The loan to be settled on unequal installments to be paid as on 15/2/1428H Corresponding to 5/3/2007G. and ends on 15/8/1436H Corresponding to 2/6/2014G. The movement of the loan was as follows:

| | As of December 31, | |
|-----------------------------------|--------------------|---------------|
| | 2012 | 2011 |
| | SR | SR |
| Balance at beginning of the year | 189,892,000 | 267,271,000 |
| Paid Installments during the Year | (141,775,000) | (77,379,000) |
| Balance at year end | 48,117,000 | 189,892,000 |
| Short portion of the loan | (16,983,000) | (141,775,000) |
| Long term portion of the loan | 31,134,000 | 48,117,000 |

Note 14 - Accrued Expenses and other Current Liabilities

| | As of December 31, | |
|-------------------------|--------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Staff Accrued | 17,758,342 | 13,795,734 |
| Sundries Payables | 1,989,757 | 2,916,824 |
| Others sundries accrued | 1,699,000 | 1,343,884 |
| Total | 21,447,099 | 18,056,442 |

Note 15 - Provision for Zakat:

Zakat Estimated Calculation:

The Company approximate Zakatable amount consists of the following :

| | As of December 31, | |
|-----------------------------------|--------------------|-----------------|
| | 2012 | 2011 |
| | SR | SR |
| Net income per books adjusted by: | 865,556,885 | 763,761,010 |
| Provisions for the year | 29,321,267 | 13,151,634 |
| The adjusted net income | 894,878,152 | 776,912,644 |
| Total added items | 2,815,684,043 | 2,858,880,719 |
| Total subtracted items | (2,330,609,098) | (2,668,857,449) |
| Zakat Estimated base | 1,379,953,097 | 966,935,914 |
| Zakat Estimated due at 2.5% | 34,498,827 | 24,173,398 |

The transaction of Zakat provision was as follows:

| | As of December 31, | |
|----------------------------------|--------------------|--------------|
| | 2012 | 2011 |
| | (SR) | (SR) |
| Balance at Beginning of the Year | 28,697,850 | 25,812,146 |
| Paid during the Year | (29,122,766) | (21,114,296) |
| Provided during the Year | 48,000,000 | 24,000,000 |
| Balance at End of the Year | 47,575,084 | 28,697,850 |

The Company has obtained the final assessment for the year 2005 and submitted Zakat Declaration up to the Year 2011. The Company paid Zakat due according to these Declarations and obtained certificate for the Year 2011.

Note 16 - Capital:

| | As of December 31, | |
|---------|--------------------|---------------|
| | 2012 | 2011 |
| | SR | SR |
| Capital | 2,025,000,000 | 1,350,000,000 |

During current year the capital of the company has been increasing the capital from 1,350 million Saudi Riyals to become 2,025 million Saudi Riyals with increase of 675 million Saudi Riyals which represent 50% of the capital. This increase will be resulting from using a part of the Company reserves through distributing free stocks on the current stockholders "one stock free for each two stocks".

Note 17 - Statutory Reserve:

| | As of December 31, | |
|---|--------------------|-------------|
| | 2012 | 2011 |
| | SR | SR |
| Balance at Beginning of the Year | 390,191,303 | 250,522,190 |
| Added: | | |
| Transferred with 10% from Net Income 2010 | - | 65,693,012 |
| Transferred with 10% from Net Income 2011 | - | 73,976,101 |
| Transferred with 10% from Net Income 2012 | 81,755,688 | - |
| Balance at End of the Year | 471,946,991 | 390,191,303 |

- In accordance with the Saudi Arabian Companies Law & Company's Article of Association that 10% of annual net income is required to be transferred to statutory reserve. Ordinary General Meeting of shareholders' has the right to discontinue such transfer when this reserve equal 50% of the capital. The reserve is not subject for distribution.
- According to the related Companies Regulations, through the year ended on 31 December 2011, 10% of the year 2010's net income was transferred to statutory reserve, this is in addition to 10% of the year 2011's net income.

Note 18 - Additional Reserve:

| | As of December 31, | |
|---|--------------------|---------------|
| | 2012 | 2011 |
| | SR | SR |
| Balance at Beginning of the Year | 1,000,000,000 | 957,935,136 |
| Transferred from Net Income of the year | - | 42,064,864 |
| Transferred for increase the capital | (675,000,000) | - |
| Total | 325,000,000 | 1,000,000,000 |

According to Company's Article of Association, an additional reserve has been provided. The reserve can be increased , decreased or used according to Ordinary General Meeting resolutions.

Note 19 - Retained Earning:

| | As of December 31, | |
|---|--------------------|---------|
| | 2012 | 2011 |
| | SR | SR |
| Adjustments in inventory ⁽¹⁾ | 45,990,000 | - |
| Other adjustments | 3,554,611 | 921,420 |
| Balance at 31/12 | 49,544,611 | 921,420 |

(1) Adjustment in the inventory for current year represents the variances in clinker stock between book value from last year and physical inventory at the beginning of the year which obtained by professional company.

Note 20 - Selling and Marketing Expenses:

| | As of December 31, | |
|--------------------------------------|--------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Salaries, Wages & Others | 3,611,060 | 3,964,359 |
| Shipping and Transportation | 2,401,755 | 10,637,085 |
| Fuel, Maintenance & Others | 515,496 | 248,706 |
| Advertisement & Publicity | 75,800 | 289,100 |
| Others | 89,855 | 559,519 |
| Long term portion of the loan | 6,693,966 | 15,698,769 |

Note 21 - General & Administrative Expenses:

| | As of December 31, | |
|--|--------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Salaries Wages & Others | 31,304,895 | 28,795,907 |
| Postage, Cable, Telephone & Subscription | 754,771 | 1,414,207 |
| Donation | 993,550 | 1,317,700 |
| Repairing and Maintenance | 742,372 | 903,182 |
| Water & Electricity | 364,809 | 400,232 |
| Insurance | 249,315 | 229,965 |
| Printing & Publicity | 205,440 | 183,320 |
| Stationery & Books | 11,600 | 88,004 |
| Others | 5,499,762 | 4,997,754 |
| Total | 40,126,514 | 38,330,271 |

Note 22 - Depreciation Of Property, Plant and Equipment:

| | As of December 31, | |
|---|--------------------|--------------------|
| | 2012 | 2011 |
| | SR | SR |
| Buildings, Constructions, Facilities & Roads | 41,381,615 | 41,063,638 |
| Plants & Machineries | 146,888,232 | 145,042,966 |
| Vehicles & Transportation Vessels | 1,008,465 | 1,030,018 |
| Furniture & Office Equipment | 1,089,555 | 1,117,188 |
| Total | 190,367,867 | 188,253,810 |
| Less: Charged on Production & Service Divisions | (188,120,948) | (185,887,108) |
| Total administrative depreciation | 2,246,919 | 2,366,702 |

Note 23 - Other Revenue:

| | As of December 31, | |
|--------------------------------------|--------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Income from Investment | 19,302,630 | 13,538,301 |
| Income from sailing scarabs and Dust | 5,268,479 | 4,619,839 |
| Total | 24,571,109 | 18,158,140 |

Note 24 - Earning Per Share:

Earnings per Share is calculated on the basis of Net Income Profits for the Fiscal Year, divided by the weighted average number of shares outstanding during the year.

Note 25 - Dividends:

The Board of Directors recommended to distribute total profit of the Year 2012 amounting to 607,5 million Saudi Riyals (2011G – 540 million Saudi Riyals) at SR 3 per share, which represents 30% of capital. A phased distribution of SR. 303,75 million Saudi Riyal distributed.

Note 26 - Approval of the Financial Statements:

The board of directors approved the financial statements for the year ended on 31 December 2012 on its meeting dated on 15 January 2013.

Note 27 - Segment Information:

There is one operational sector for Cement Industry Co., and its derivatives, the Company is practicing its activities in Saudi Arabia.

Note 28 - Contingent Liabilities:

The contingent liabilities are represented in the value of Letters of Guarantees issued by the Company in favor of others which equals 26,409 million Saudi Riyals on 31 December 2012 with same value in 31 December 2011.

Note 29 - Future Commitments:

The Board of Directors on its meeting dated 9-12-2012 approved future Commitments amounting to S.R. 17,000,000 (2011G. is SR. 78,000,000).

Note 30 - The Financial Tools:

The financial tools are related specially to the current assets which support the financial position of the Company and increase its ability to pay its obligations. From this aspect, the financial tools of the Company are cash in hands and current bank accounts, investments, accounts receivable, other receivables, and due from related parties. The financial obligations are accounts payable, accrued expenses, due to employees, installments of the loan due through the next year, due to related parties and Zakat provision. In the date of the financial statements, there is no substantial difference between the fair values of the financial tools and its book values.

Note 31 - Risk Management:

Credit Risk:

It is the failure of one part to fulfill his liabilities which causes a financial loss to the second part, there is no credit risk to be carried by the Company, whereas the Company is depositing the cash in a high credit level with a good reputation local banks. The Company also deals with local customers who have credibility and with holding the sufficient assurance which decrease the credit risks to its lower levels, also the amounts receivable from the local customers is recorded by realizable value.

Interest Risks:

It is the risks of financial instruments changes due to the changes of the current interest value in the market, influenced on balance sheet, cash flows, the Company is not having essential assets charged by interest during the Year ended 31 December 2011 or the previous year.

Liquidity Risks:

It is the failure of a firm to secure the required liquidity to meet current liabilities of financial tools, the Company manages liquidity risks through keeping current bank balances continuously which is equivalent to its current liabilities.

Currency Risks:

It is the risks of variation in the financial instruments due to exchange rates, the Company's main transactions in Saudi Riyals, US Dollars, EURO and Sweden Kroner. The Company manages currency risks by focusing on using currencies that have a stable or nearly stable exchange rate. The management also monitor fluctuation of exchange rates and consider the changes in currency risks are not essential.



