Yanbu Cement Company
(A Saudi Joint Stock Company)

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2009 (UNAUDITED)

Ernst & Young



Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2009 (UNAUDITED)

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AUDITORS' REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A Saudi Joint Stock Company) INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Scope of Review

We have reviewed the interim consolidated balance sheet of YANBU CEMENT COMPANY (the Company) (a Saudi Joint Stock Company) and its subsidiary as at 30 September 2009 and the related interim consolidated statements of income for the three months and nine months then ended and interim consolidated statements of cash flows and changes in shareholders' equity for the nine months then ended. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we requested. Our review was conducted in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standards on interim financial information. A review is limited principally to analytical procedures applied to financial data and inquiries of Company's personnel 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 on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our 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 the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda

Certified Public Accountant

Licence No. 356

21 Shawal 1430H

10 October 2009

Jeddah, Kingdom of Saudi Arabia

INTERIM CONSOLIDATED BALANCE SHEET As at 30 September 2009 (Unaudited)			
		2009	2008
ASSETS	Note	SR	SR
CURRENT ASSETS			
Cash and bank balances		100,880,582	56,380,38
Investment placement and Investments in trading fund		182,786,862	325,582,62
Accounts receivable and other assets		147,466,976	135,838,96
Inventories, net		<u>264,615,171</u>	250,725,70
TOTAL CURRENT ASSETS		695,749,591	768,527,68
NON-CURRENT ASSETS			
Property and equipment, net		1,893,362,164	1,692,490,71
Deferred charges, net		222,101	617,72
TOTAL NON-CURRENT ASSETS		_1,893,584,265	1,693,108,43
TOTAL ASSETS		2,589,333,856	_2,461,636,12
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank facilities - current portion		4,659,504	4,659,50
Bank overdraft		<u>.</u>	4,760,60
Trade Accounts payable		21,131,711	7,084,67
Dividends payable Zakat provision		57,714,183 13,269,641	52,362,39
Accrued expenses and other fiabilities		99,313,733	15,047,90 83,690,15
TOTAL CURRENT LIABILITIES		<u></u>	167,605,23
		170,000,7772	107,005,25
NON-CURRENT LIABILITIES Bank facilities		1 506 220	5.004.00
Bank factities End of service benefits provision		1,596,339 39,842,205	5,824,37 35,369,14
·			
TOTAL NON-CURRENT LIABILITIES		41,438,544	41,193,51
TOTAL LIABILITIES		237,527,316	208,798,75
SHAREHOLDERS' EQUITY			
Authorized and fully paid capital		1,050,000,000	1,050,000,00
Statutory reserve General reserve	1	525,000,000	525,000,00
Retained earnings	1	358,854,549	221,318,20
TOTAL EQUITY ATTRIBUTABLE TO		400,473,167	439,489,20
SHAREHOLDERS OF PARENT COMPANY		2,334,327,716	2,235,807,4
Minority interest		17,478,824	17,029,9
TOTAL SHAREHOLDERS' EQUITY		2,351,806,540	_2,252,837,3
TOTAL LIABILITIES AND SHAREHOLDERS'			
TARLAL ADARL TELEVE ARGUS ESTADIOS CANADAS CONTRACTORS			

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Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the Period Ended 30 September 2009

(Unaudited)

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	Interim Period		Beginning of the year to	
	From 1 July 2009 to 30 September 2009 SR	From 1 July 2008 to 30 September 2008 SR	30 September 2009 SR	30 September 2008 SR
Net sales Cost of sales	200,404,062 (91,945,468)	244,030,196 (111,758,388)	753,034,731 (327,440,882)	840,690,737 (377,162,101)
GROSS INCOME	108,458,594	132,271,808	425,593,849	463,528,636
Selling and distribution expenses General and administrative expenses	(2,159,626) (3,472,682)	(1,955,001) (3,196,364)	(6,483,338) (10,253,243)	(6,284,321) (10,445,862)
NET INCOME FROM MAIN OPERATION	102,826,286	127,120,443	408,857,268	446,798,453
Financial charges Other income	(40,685) 1,008,910	(165,921) 3,513,945	(172,312) 7,142,919	(523,446) 11,376,400
NET INCOME BEFORE ZAKAT AND MINORITY INTEREST	103,794,511	130,468,467	415,827,875	457,651,407
Zakat	(5,350,000)	(7,700,000)	(13,350,000)	(15,200,000)
NET INCOME BEFORE MINORITY INTEREST	98,444,511	122,768,467	402,477,875	442,451,407
Minority interest	(821,000)	(1,101,044)	(2,004,709)	(2,962,201)
NET INCOME	97,623,511	121,667,423	400,473,166	439,489,206
EARNING PER SHARE FROM NET OPERATING INCOME	0,93	1.16	3.89	4.26
EARNING PER SHARE FROM MAIN OPERATION	0.98	1,21	3.81	4.19

Yanbu Cement Company	(A Saudi Joint Stock Company)	and its Subsidiary
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOW	'S	
For the Period Ended 30 September 2009		
(Unaudited)	2000	2000
	2009	2008 SR
	SR	SK
OPERATING ACTIVITIES		
Net income for the period before zakat	413,823,166	454,689,206
Adjustments to reconcile net income to net cash	, ,	, ,
from operating activities:		
Depreciation	73,058,672	74,329,421
Amortization	166,590	889,589
Amortization of capital expenditure	-	16,122,718
Minority interest	2,004,709	2,962,201
Gain on disposal of property and equipment	(20,600)	(44,400)
End of service benefits provision, net	3,564,661	4,191,873
Change in assets and liabilities:		440.4=0.0=0
Accounts receivable and other assets	(12,736,839)	(19,179,036)
Inventories	6,282,397	(7,956,982)
Accounts payable	15,413,652	(16,674,203)
Accrued expenses and other liabilities	(4,268,771)	(2,826,002)
Zakat paid	(16,578,181)	(20,126,948)
Net cash from operating activities	480,709,456	486,377,437
INVESTING ACTIVITIES		
Purchase of property and equipment	(293,260,000)	(264,587,083)
Proceeds on disposal of property and equipment	20,600	44,400
Net cash used in investing activities	(293,239,400)	(264,542,683)
Tel cash used in investing activities	(2)0,20),100)	(201,512,005)
FINANCING ACTIVITIES		
Settlement of bank facilities	(3,494,637)	(3,882,930)
Bank overdraft	(3,988,873)	617,004
Dividends paid to shareholders	(413,553,601)	(518,513,370)
Dividends paid to minority interest's	(1,200,000)	-
Board of directors' fees	(2,200,000)	(2,200,000)
Net cash used in financing activities	(424,437,111)	(523,979,296)
DECREASE IN CASH AND CASH EQUIVALENTS	(236,967,055)	(302,144,542)
Cash and Cash Equivalents - beginning of the period	520,634,499	684,107,556
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	_283,667,444	381,963,014

The attached notes 1 to 4 form part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHAFor the Period Ended 30 September 2009 (Unaudited)	ANGES IN SHAREHOL	DERS, EQUI
	2009 SR	2008 SR
EQUITY ATRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY		
AUTHORIZED AND FULLY PAID CAPITAL	1,050,000,000	1,050,000,00
STATUTORY RESERVE	525,000,000	525,000,00
GENETRAL REDERVE		
Balance at the beginning of the period	221,318,203	-
Transferred from retained earnings Balance at the end of the period	<u>137,536,346</u> 358,854,549	221,318,20 221,318,20
balance at the end of the period	330,034,349	
RETAINED EARNINGS		
Balance at the beginning of the period	559,736,347	748,518,2
Net income for the period	400,473,166	439,489,2
Dividends Transferred to general reserve	(420,000,000) (137,536,346)	(525,000,0 (221,318,2
Board of directors fees	(2,200,000)	(2,200,0
Balance at the end of the period	400,473,167	439,489,2
TOTAL EQUITY ATTRIBUTABLE TO		
SHAREHOLDERS OF PARENT COMPANY	<u>2,334,327,716</u>	2,235,807,4
MINORIY INTERESTS		
Balance at the beginning of the period	16,674,115	14,067,7
Minority share of net income for the period	2,004,709	2,962,2
Dividends	(1,200,000)	_

Balance at the end of the period

TOTAL SHAREHOLDERS' EQUITY

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17,029,958

2,252,837,367

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 June 2009 (Unaudited)

1. ACTIVITIES

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Yanbu Cement Company (A Saudi Joint Stock Company) ("the parent company") incorporated under The Council of Ministers Resolution No. 1074 of 10/8/1394H based on Royal Decree No. M/10 of 24/3/1397H is registered in Yanbu, Saudi Arabia, under Commercial Registration No. 4700233 of 21/11/1398H per Ministry of Industry and Electricity Resolution No. 67/S of 17/3/1396H.

On 4 March 2009, the ordinary general meeting resolved to transfer the balance of the retained earnings for the year ended 31 December 2008, after dividend payments and board of directors' fees, to the general reserve.

The Company is engaged in the manufacturing of ordinary Portland cement, Resistant cement and Pozolanic cement.

The interim consolidated financial statements comprise the financial statements of the parent company, Yanbu Cement Company, its two branches and its subsidiary as detailed below:

Company's Name	Country of Incorporation	Shareholding
Yanbu Al-Shuaiba Paper Products Company Ltd.	Kingdom of Saudi Arabia	60%

2. BASIS OF PRESENTATION

The interim consolidated financial statements are prepared in accordance with the Saudi Arabian Organisation for Certified Public Accountants (SOCPA) standards of interim financial information. The accounting policies followed in preparing these interim financial statements are consistent with those policies mentioned in the annual financial statements.

The interim consolidated financial statements do not cover all the information and disclosures required for the full financial statements prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The information disclosed in these interim consolidated financial statements may not be an accurate indicator of the results of the full fiscal period ending 31 December 2009.

The significant accounting policies adopted are as follows:

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the parent company and its subsidiary, as explained in Note (1) after eliminating all inter-company transactions and balances.

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention, except investments in mutual funds which are measured at fair value.

Revenue recognition

Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the revenue can be reliably measured, being the value of the invoiced goods supplied during the period, net of trade and quality discounts.

The attached notes 1 to 4 form part of these interim consolidated financial statements.

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 June 2009 (Unaudited)

2. BASIS OF PRESENTATION (continued)

Inventories

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Raw material inventories, work-in-progress and spare parts are stated at the lower of cost or net realizable value. Cost of raw materials and spare parts is determined using the weighted average method. The cost of work-in-progress includes direct materials, direct labour and any related overheads. Spare parts are stated at cost on weighted average base. Slow moving and obsolete spare parts are provided for and stated at net book value.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Subsidiary's buildings and plant and equipment of paper manufacturing factory are depreciated using units of production method.

Deferred charges

Deferred charges are amortized over the estimated useful life of 5 years.

Zakat

As required by Saudi Arabian Zakat Regulations, Zakat is provided for and measured on accrual basis in accordance with Zakat Financial Accounting Standards. Zakat in these financial statements is calculated on deemed basis and separately charged to the interim consolidated statement of income. Zakat liability is calculated at the end of respective year.

End of service benefits

Provision is made for amounts payable under the Saudi Arabian Labour Law.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds readily convertible to cash and has a maturity of 3 months or less as at the purchase date.

Selling, distribution, general and administration expenses

Selling and distribution expenses are those that specifically relate to salesmen, warehousing and other overheads. All other expenses are classified as general and administration expenses.

Translation of foreign currencies

The accompanying interim consolidated financial statements are expressed in Saudi Riyals. Appropriate exchange rates are used to translate transactions or balances denominated in foreign currencies. The resulting gains or losses are included in the interim consolidated statement of income.

3. PROPERTY AND EQUIPMENT

Included in property and equipment is an amount of SR 525,720,489 being the cost of fifth production line.

4. COMMITMENT

The Board of directors, in their meeting of 30 July 2008, approved the fifth production line amounting to SR 1.7 billion.

The attached notes 1 to 4 form part of these interim consolidated financial statements.