

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 30 September 2016, and the related interim statement of income for the three and nine months periods then ended and the interim statements of cash flows and changes in shareholders' equity for the nine months period then ended. These interim financial statements have been prepared by the Company 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 Alshubaibi
Certified Public Accountant
Registration No. 339



17 Muharram 1438H
18 October 2016

Alkhobar

Saudi Cement Company
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UNAUDITED)

As at 30 September 2016

		30 September 2016 SR' 000	30 September 2015 SR' 000
ASSETS	<i>Note</i>		
CURRENT ASSETS			
Cash and cash equivalents		82,308	157,549
Trade accounts receivable		272,953	222,537
Inventories		794,191	738,397
Prepayments and other receivables		44,660	66,763
TOTAL CURRENT ASSETS		1,194,112	1,185,246
NON-CURRENT ASSETS			
Investments in associated companies		59,824	85,738
Property, plant and equipment		2,762,425	2,987,553
Construction work in progress		159,299	80,040
TOTAL NON-CURRENT ASSETS		2,981,548	3,153,331
TOTAL ASSETS		4,175,660	4,338,577
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable		80,411	64,356
Accruals and other payables		112,599	102,058
Islamic financing	3	475,000	570,000
Dividends payable	6	215,572	178,637
Current portion of Saudi Industrial Development Fund loans	4	60,000	120,000
Current portion of liability for charitable contribution	5	20,000	30,000
Zakat provision		31,978	28,182
TOTAL CURRENT LIABILITIES		995,560	1,093,233
NON-CURRENT LIABILITIES			
Saudi Industrial Development Fund loans	4	-	60,000
Liability for charitable contribution	5	-	10,000
Employees' terminal benefits		91,350	95,226
TOTAL NON-CURRENT LIABILITIES		91,350	165,226
TOTAL LIABILITIES		1,086,910	1,258,459
SHAREHOLDERS' EQUITY			
Share capital	7	1,530,000	1,530,000
Statutory reserve		765,000	765,000
General reserve	8	-	20,000
Retained earnings		793,750	765,118
TOTAL SHAREHOLDERS' EQUITY		3,088,750	3,080,118
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,175,660	4,338,577

The attached notes from 1 to 10 form an integral part of these interim financial statements.

Saudi Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three and nine months periods ended 30 September 2016

	<i>For the three months period ended 30 September 2016 SR "000"</i>	<i>For the three months period ended 30 September 2015 SR "000"</i>	<i>For the nine months period ended 30 September 2016 SR "000"</i>	<i>For the nine months period ended 30 September 2015 SR "000"</i>
Sales	375,052	398,305	1,380,758	1,448,810
Cost of sales	<u>(144,716)</u>	<u>(165,557)</u>	<u>(572,630)</u>	<u>(592,878)</u>
GROSS PROFIT	230,336	232,748	808,128	855,932
EXPENSES				
Selling and distribution	(9,504)	(7,687)	(26,344)	(26,518)
General and administration	<u>(14,077)</u>	<u>(15,126)</u>	<u>(43,959)</u>	<u>(50,820)</u>
INCOME FROM MAIN OPERATIONS	206,755	209,935	737,825	778,594
Other income, net	2,014	5,369	3,435	11,116
Follow up fees of Saudi Industrial Development Fund loans	-	(1,350)	(2,100)	(4,050)
Islamic finance charge	<u>(4,128)</u>	<u>(2,362)</u>	<u>(9,671)</u>	<u>(5,852)</u>
INCOME BEFORE SHARE IN NET RESULTS OF ASSOCIATED COMPANIES AND ZAKAT	204,641	211,592	729,489	779,808
Share in net results of associated companies	<u>908</u>	<u>1,242</u>	<u>3,696</u>	<u>4,226</u>
INCOME BEFORE ZAKAT	205,549	212,834	733,185	784,034
Zakat	<u>(5,116)</u>	<u>(5,266)</u>	<u>(18,307)</u>	<u>(19,546)</u>
NET INCOME FOR THE PERIOD	<u>200,433</u>	<u>207,568</u>	<u>714,878</u>	<u>764,488</u>
EARNINGS PER SHARE (SR):				
Earnings per share from main operations	<u>1.35</u>	<u>1.37</u>	<u>4.82</u>	<u>5.09</u>
Earnings per share from net income	<u>1.31</u>	<u>1.36</u>	<u>4.67</u>	<u>5.00</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>



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Saudi Cement Company
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INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine months period ended 30 September 2016

	<i>For the nine months period ended 30 September 2016 SR' 000</i>	<i>For the nine months period ended 30 September 2015 SR' 000</i>
OPERATING ACTIVITIES		
Income before share in net results of associated companies and zakat	729,489	779,808
Adjustments for:		
Depreciation of property, plant and equipment	159,946	164,174
Employees' terminal benefits, net	34	3,860
Islamic financial charges	9,671	5,852
Gain on disposal of property, plant and equipment	(70)	(133)
Gain on disposal of investment in associated companies	(322)	-
Construction work in progress written off	2,048	-
	<u>900,796</u>	<u>953,561</u>
Changes in operating assets and liabilities:		
Receivables	(39,316)	(16,143)
Inventories	(39,257)	(80,434)
Payables	<u>(18,201)</u>	<u>26,775</u>
Cash from operations	<u>804,022</u>	<u>883,759</u>
Islamic financial charges paid	(9,671)	(5,852)
Zakat paid	<u>(19,174)</u>	<u>(28,291)</u>
Net cash from operating activities	<u>775,177</u>	<u>849,616</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(11,970)	(9,373)
Additions to construction work in progress	(59,391)	(54,302)
Proceeds from disposal of property, plant and equipment	2,271	134
Proceeds from disposal of investment in associated companies	24,311	-
Dividends received from associated companies	<u>2,683</u>	<u>5,366</u>
Net cash used in investing activities	<u>(42,096)</u>	<u>(58,175)</u>
FINANCING ACTIVITIES		
Net movement in Islamic financing	(125,000)	(30,000)
Charitable contribution paid	(10,000)	(10,000)
Net movement in Saudi Industrial Development Fund loans	(60,000)	(55,000)
Dividends and Board of Director's remuneration	<u>(838,773)</u>	<u>(837,241)</u>
Net cash used in financing activities	<u>(1,033,773)</u>	<u>(932,241)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(300,692)</u>	<u>(140,800)</u>
Cash and cash equivalents at the beginning of the period	<u>383,000</u>	<u>298,349</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>82,308</u>	<u>157,549</u>
NON-CASH TRANSACTIONS:		
Transfer from construction work in progress to property, plant and equipment	36,178	38,369
Dividends payable	<u>43,177</u>	<u>6,459</u>

The attached notes from 1 to 10 form an integral part of these interim financial statements.

Saudi Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months period ended 30 September 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 period	-	-	-	764,488	764,488
Dividends (note 6)	-	-	-	(841,500)	(841,500)
Board of Directors' remuneration	-	-	-	(2,200)	(2,200)
Balance at 30 September 2015 (Unaudited)	<u>1,530,000</u>	<u>765,000</u>	<u>20,000</u>	<u>765,118</u>	<u>3,080,118</u>
Balance at 31 December 2015 (Audited)	1,530,000	765,000	20,000	940,822	3,255,822
Net income for the period	-	-	-	714,878	714,878
Transferred to retained earnings (note 8)	-	-	(20,000)	20,000	-
Dividends (note 6)	-	-	-	(879,750)	(879,750)
Board of Directors' remuneration	-	-	-	(2,200)	(2,200)
Balance at 30 September 2016 (Unaudited)	<u>1,530,000</u>	<u>765,000</u>	<u>-</u>	<u>793,750</u>	<u>3,088,750</u>



The attached notes from 1 to 10 form an integral part of these interim financial statements.

Saudi Cement Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 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.

Saudi Cement Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 September 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, 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

Zakat is provided for the Company in accordance with Saudi Arabian fiscal regulations. The provision is charged to the interim statement of income. Additional amounts, if any, that become due on finalisation of an assessment are accounted for in the period in which the assessment is finalised.

The provision for the Company for the interim period is calculated based on estimated zakat provision for the whole year. The difference between the provision made during the interim period and the actual provision for the period based on detailed zakat calculation for the year is accounted for at year end.

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 (UNAUDITED) (continued)
At 30 September 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 by the weighted average number of ordinary shares outstanding during the period.

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

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.

Results of the interim period

The Company has made all necessary adjustments which are important in order to present fairly in all material respects the interim financial position and results of operations. The interim financial results may not be considered an accurate basis for the actual results for the whole year.

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 1,800 million (2015: SR 1,850 million), of which SR 475 million has been withdrawn up to 30 September 2016 (SR 570 million has been withdrawn up to 30 September 2015) and are secured by promissory notes issued by the Company and carry 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 (UNAUDITED) (continued)
At 30 September 2016

4 SAUDI INDUSTRIAL DEVELOPMENT FUND LOANS

	<i>30 September 2016 SR "000"</i>	<i>30 September 2015 SR "000"</i>
Saudi Industrial Development Fund loans	60,000	180,000
Less: current portion	<u>(60,000)</u>	<u>(120,000)</u>
Non-current portion	<u>-</u>	<u>60,000</u>

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.

5 LIABILITIES FOR CHARITABLE CONTRIBUTION

	<i>30 September 2016 SR "000"</i>	<i>30 September 2015 SR "000"</i>
Liability for charitable contribution	20,000	40,000
Less: current portion	<u>(20,000)</u>	<u>(30,000)</u>
Non-current portion	<u>-</u>	<u>10,000</u>

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 Affair, whereby the amount of SR 50 million shall be disbursed through five equal installments during 2015 and 2016.

6 DIVIDENDS

On 17 Sha'ban II 1437H (corresponding 24 May 2016), the Board of Directors approved 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 September 2016

7 SHARE CAPITAL

The authorised, issued and paid up share capital is SR 1,530 million at 30 September 2016 consisting of 153 million shares (30 September 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 22 million (2015: SR 115.9 million) mainly related to railway infrastructure at Hofuf Plant and installation of gas pipeline leak detection system for Hofuf Plant.