SAUDI CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018

INDEX	Pages

BDO Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

P.O. Box 2590, Dammam 31461
Tel.: +966 13 834 4311
Fax: +966 13 833 8553
info@alamri.com

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
Saudi Cement Company
(A Saudi Joint Stock Company)
Dammam - Kingdom of Saudi Arabia.

Introduction

We have reviewed the accompanying condensed interim financial statements of Saudi Cement Company (A Saudi Joint Stock Company) ("the Company") which comprises of interim statement of financial position as at 30 September 2018, the related interim statements of income and other comprehensive income for the three months and nine months periods then ended, changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and selected notes from (1) to (11).

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that are endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements for the three months and nine months periods ended 30 September 2018 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

M. A. AlAmri

Dr. Mohamed A. Al-Amri
Certified Public Accountant
Registration No. 60

October 29, 2018 G
Safar 20, 1440 H

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Note	*30 September 2018* **(Un-Audited)** ***SR '000***	*31 December 2017* (Audited) *SR '000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,652,730**	2,739,808
Investments in associates		**55,119**	59,838
Total non-current assets		**2,707,849**	2,799,646
Current assets			
Inventories		**767,909**	741,454
Trade receivables		**298,263**	237,283
Prepayments and other receivables		**55,163**	37,509
Cash and cash equivalents		**82,404**	119,876
Total current assets		**1,203,739**	1,136,122
TOTAL ASSETS		**3,911,588**	3,935,768
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,530,000**	1,530,000
Statutory reserve		**459,000**	459,000
Retained earnings		**667,298**	888,867
Total equity		**2,656,298**	2,877,867
LIABILITIES			
Non-current liabilities			
Employees' benefits		**79,652**	78,919
Current liabilities			
Islamic financing	5	**750,000**	550,000
Trade payables		**72,294**	91,744
Dividends payable		**219,428**	196,601
Accruals and other payables		**115,078**	107,558
Provision for Zakat		**18,838**	33,079
Total current liabilities		**1,175,638**	978,982
TOTAL LIABILITIES		**1,255,290**	1,057,901
TOTAL EQUITY AND LIABILITIES		**3,911,588**	3,935,768

Designated Member / CEO | **Finance Manager**

The accompanying notes from 1 to 11 form an integral part of these condensed interim financial statements

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
For the three months and nine months periods ended 30 September 2018

	Three months period ended 30 September		Nine months period ended 30 September	
	2018	*2017*	***2018***	*2017*
	SR '000	*SR '000*	***SR '000***	*SR '000*
Sales	**239,554**	250,194	**815,762**	865,996
Cost of sales	**(126,435)**	(134,619)	**(437,192)**	(438,078)
GROSS PROFIT	**113,119**	115,575	**378,570**	427,918
Selling and distribution expenses	**(16,981)**	(6,554)	**(40,739)**	(21,051)
General and administrative expenses	**(15,530)**	(15,308)	**(44,622)**	(45,795)
OPERATING PROFIT	**80,608**	93,713	**293,209**	361,072
Other income	**5,138**	-	**6,644**	1,769
Share in net results of associates	**(1,753)**	14	**(2,392)**	1,284
Islamic financial charges	**(6,653)**	(4,134)	**(14,711)**	(9,255)
INCOME BEFORE ZAKAT	**77,340**	89,593	**282,750**	354,870
Zakat	**(1,934)**	(2,240)	**(7,069)**	(8,872)
NET INCOME FOR THE PERIOD	**75,406**	87,353	**275,681**	345,998
Other comprehensive income	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME	**75,406**	87,353	**275,681**	345,998
Earnings per share (Saudi Riyals)				
Basic and diluted earnings per share attributable to the equity holders of the Company	**0.49**	0.57	**1.80**	2.26

Designated Member / CEO **Finance Manager**

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

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the nine months period ended 30 September 2018

	Share capital *SR '000*	Statutory reserve *SR '000*	Retained earnings *SR '000*	Total *SR '000*
Balance as at 1 January 2017	1,530,000	765,000	894,577	3,189,577
Net income for the period	-	-	345,998	345,998
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	345,998	345,998
Transferred to retained earnings	-	(306,000)	306,000	-
Dividend (note 10)	-	-	(765,000)	(765,000)
Balance at 30 September 2017	1,530,000	459,000	781,575	2,770,575
Balance as at 1 January 2018	**1,530,000**	**459,000**	**888,867**	**2,877,867**
Net income for the period	**-**	**-**	**275,681**	**275,681**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**275,681**	**275,681**
Dividend (note 10)	**-**	**-**	**(497,250)**	**(497,250)**
Balance at 30 September 2018	**1,530,000**	**459,000**	**667,298**	**2,656,298**

Designated Member / CEO **Finance Manager**

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

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the nine months period ended 30 September 2018

	Nine months period ended 30 September	
	2018	*2017*
	SR '000	*SR '000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Zakat	**282,750**	354,870
Adjustments to reconcile income before zakat to net cash provided by operating activities:		
Depreciation of property, plant and equipment	**150,746**	156,418
Islamic financial charges	**14,711**	9,255
Share in results of associates	**2,392**	(1,284)
Gain on disposal of property, plant and equipment	**(498)**	(91)
Employees' end of service benefit, net	**733**	(1,623)
	450,834	517,545
Working capital changes		
Inventories	**(26,455)**	(41,887)
Trade receivables	**(60,980)**	33,881
Prepayments and other receivables	**(17,654)**	(5,819)
Trade payables	**(19,450)**	(10,646)
Accruals and other payables	**30,347**	(42,543)
	(94,192)	(67,014)
Islamic financial charges paid	**(14,711)**	(9,255)
Zakat paid	**(21,310)**	(15,662)
Net cash generated from operating activities	**320,621**	425,614
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	**(63,676)**	(32,634)
Proceeds from disposal of property, plant and equipment	**506**	91
Dividend received from an associate	**2,327**	1,610
Net cash used in investing activities	**(60,843)**	(30,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movements in Islamic financing	**200,000**	230,000
Dividend paid	**(497,250)**	(765,000)
Net cash used in financing activities	**(297,250)**	(535,000)
Net change in cash and cash equivalents	**(37,472)**	(140,319)
Cash and cash equivalents at the beginning of the period	**119,876**	183,820
Cash and cash equivalents at the end of the period	**82,404**	43,501

Designated Member / CEO **Finance Manager**

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

1 Corporate information

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 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 extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Hassa for 30 years period. Thereafter, the Company obtained the licenses for the existing quarries under the Royal Decree number M/11 dated 29/04/1405H (corresponding to 22/01/1985) which gives mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement for 30 years period. In the year 1985, Saudi Bahraini Company obtained the right of the mining concession for the extraction of limestone, gypsum and clay under the Royal Decree number M/12 dated 29/04/1405H (corresponding to 22/01/1985) which was merged with the Saudi Cement Company in 1990. Accordingly, the Ministry of Petroleum and Mineral Resources resolved on 04/01/1412H (corresponding to 15/07/1991) to transfer all quarries and related licenses of Saudi Bahraini Company to the Saudi Cement Company. Currently, the Company is in the process of renewing all licenses for another period.

2 Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard, "*Interim Financial Reporting*" ("IAS 34") as endorsed in Kingdom of Saudi Arabia ("KSA).

The disclosures in these condensed interim financial statements do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2017.

The methods of computation and accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017 except those stated in note 4.

2.2 Basis of measurement

These condensed interim financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for certain employees' benefits which are measured at present value.

All values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

2.3 Functional and presentation currency

The condensed interim financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the Company.

2.4 New standards, interpretations and amendments adopted by the Company

IFRS 15 – 'Revenue from Contracts with Customers'

The IASB has issued a new standard for the recognition of revenue. This has replaced IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service

2 Basis of preparation (Contd.)

2.4 New standards, interpretations and amendments adopted by the Company (Contd.)

transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. The standard was endorsed by SOCPA without any modification.

The Company has adopted this standard with effect from 01 January 2018. There are no material impacts of adoption of the said IFRS on the Company's condensed interim financial statements. The new accounting policies have been disclosed in note 4.

IFRS 9 – 'Financial Instruments'

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement and impairment. The standard was endorsed by SOCPA without any modification.

The Company has complied with the requirements of IFRS 9 in preparation of the condensed interim financial statements. The impacts of adopting IFRS 9 on the Company are as follows:

- Classification and measurement: IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortized cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Company concluded that the classification and measurement basis for its financial assets remains unchanged under this model.

- Impairment: Based on the Company's assessment, the introduction of the "expected credit loss" model for the assessment of impairment of financial assets held at amortized cost is not expected to have a material impact on the Company's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

3 Standards issued but not yet effective and not early adopted

IFRS 16 Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace:
- IAS 17 – 'Leases'
- IFRIC 4 – 'Whether an arrangement contains a lease'
- SIC 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

The standard was endorsed by SOCPA taking into consideration the modification of the addition of paragraph number (60A) and (94A).

Under IAS 17, lessees are required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts apart from an optional exemption for certain short-term leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The mandatory date of adoption for the standard is 1 January 2019.

Other amendments to certain existing standards and new interpretations on approved accounting standards not yet effective during the period were either not relevant to the Company's operations or would not have significant impact on the accounting policies of the Company.

4 Summary of significant accounting polices

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the following due to the adoption of new standards as mentioned in note 2.4.

4.1 Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

i. Classification

The financial assets are classified in the following measurement categories:

a) Those to be measured subsequently at fair value through profit or loss,
b) Those to be measured subsequently at fair value through other comprehensive income, and
c) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the statement of income and other comprehensive income.

ii. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income as incurred.

iii. Impairment of financial assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., advances to affiliates, Murabha deposits and certain long-term investments.

Expected credit loss is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Company expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The expected credit loss method requires to assess credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statement of comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjust the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

4 Summary of significant accounting polices (Contd.)

4.1 Financial assets (Contd.)

iv. De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

4.2 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes any taxes and duties collected. The Company recognizes revenue when it transfers control over a goods to a customer.

Sale of goods

Revenue is recognized when control of the goods has transferred, being when the goods are delivered to the customers, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs based on contractual terms of the contract, when the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been met.

Revenue is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because either payment is due at that time or, in case of credit customers, only the passage of time is required before the payment is due. Revenue is generally measured at the transaction price as agreed in the sales contract

5 Islamic financing

The Islamic facilities have been obtained from various local banks to meet the working capital requirements with a total facility amount of SR 1,800 million (31 December 2017: SR 1,800 million), the utilised balance as of 30 September 2018 is SR 750 million (31 December 2017: SR 550 million). These Islamic facilities carry varying financial costs in excess of SIBOR and are consistent with the terms of each facility agreement that are secured by promissory notes issued by the Company and carry charges agreed with the facilities' providers.

The outstanding Islamic financing is classified under current liabilities in the interim statement of financial position as it is repayable within 12 months from the financial position date.

The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained.

6 Related party transactions and balances

The following table provides the total amount of transactions that have been entered into with related parties during the three months and nine months periods ended 30 September 2018 and related parties balances as at 30 September 2018 and 31 December 2017.

				Three-months period Amount of transaction		*Nine-months period Amount of transaction*		*Ending balance*	
	Related party	*Relationship*	*Nature of transaction*	***30 September 2018***	*30 September 2017*	***30 September 2018***	*30 September 2017*	***30 September 2018***	*31 December 2017*
				SR '000	*SR '000*	***SR '000***	*SR '000*	***SR '000***	*SR '000*
i)	**Trade receivables due from a related party**								
	United Cement Company	Associate	Sales	**11,202**	-	**31,925**	18,605	**12,963**	-
ii)	**Advances to related party**								
	Cement Product Industry Company Limited	Associate	Advance received	-	-	-	-	**3,450**	3,450
iii)	**Trade payables due to a related party**								
	Cement Product Industry Company Limited	Associate	Purchases of raw material	**4,230**	5,754	**16,727**	17,983	**455**	1,361
	Wataniya Insurance Company	Affiliate	Insurance on property plant and equipment	**576**	-	**6,089**	6,459	**11**	-
								466	1,361

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period ended 30 September 2018 are unsecured and settled in cash. There have been no guarantees provided to amounts due to related parties. However, amounts due from related parties were fully covered by bank guarantees. For the period ended 30 September 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The compensations to key executives for the period ended 30 September 2018 is SR 11.5 Million (30 September 2017: SR 13.6 million).

Prices and terms of payments for the above transactions are approved by the Company's management.

7 Capital commitments

As of 30 September 2018, the capital expenditure contracted by the Company but not incurred till period end was approximately SR 58.49 million (December 31, 2017: SR 10.36 million).

8 Segment information

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

All of the Company's operations are related to one operating segment which is cement and are substantially sold to local customers. Accordingly, segmental analysis by geographical and operating segment has not been presented.

9 Fair value measurement of financial instruments

As of 30 September 2018 and 31 December 2017, all of the Company's financial instruments have been carried at amortised cost and the Company does not hold any financial instruments measured at fair value. However, the carrying value of the financial assets and liabilities in the interim statement of financial position approximates to the fair value.

10 Dividend

On 13 Ramadan 1439H (corresponding to 28 May 2018), the Board of Directors has resolved to distribute interim cash dividends amounting to SR 1.50 per share (SR 229.50 million in total) for the first half of 2018. Payment of this dividend distribution was commenced on 18 Shawwal 1439H (corresponding to 02 July 2018).

On 29 Rajab 1439H (corresponding to 15 April 2018), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 1.75 per share (SR 267.75 million in total) for the second half of 2017.

On 28 Shaban 1438H (corresponding to 24 May 2017), the Board of Directors has resolved to distribute interim cash dividends amounting to SR 2.25 per share (SR 344.25 million in total) for the first half of 2017.

On 12 Rajab 1438H (corresponding to 9 April 2017), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 2.75 per share (SR 420.75 million in total) for the second half of 2016.

11 Approval of condensed interim financial statements

These condensed interim financial statements were authorized for issue and approved on October 29, 2018 G.