

HAIL CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS
ENDED SEPTEMBER 30, 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Interim condensed financial statements (unaudited) for the three and nine months periods ended at September 30, 2022

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TRANSLATED FROM ARABIC**INDEPENDENT AUDITOR'S REPORT ON REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS:
HAIL CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
Hail – SAUDI ARABIA**

Introduction:

We have reviewed the condensed interim statement of financial position of Hail Cement Company – Saudi Joint Stock Company- ("the Company") as at September, 30, 2022, the condensed interim statements of profit or loss and other comprehensive income for the nine months period ended at September, 30, 2022, the condensed interim changes in shareholders equity and the condensed interim cash flows for nine months then ended, and summary of significant accounting policies and other explanatory notes which form an integral part of these condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 "Interim Financial Reporting. 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 the International Standard on Review Engagements 2410 "Review of Interim Financial Statements Information performed by the Independent Auditor of the Entity" approved in the Kingdom of Saudi Arabia. A review of interim financial statement 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 approved 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 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" approved in the Kingdom of Saudi Arabia.

FOR EL SAYED EL AYOUTY & CO.

Jeddah: October 30, 2022
Rabi Al-Akhar 05, 1444H



A. Balamash
Abdullah Ahmad Balamash
Certified Public Accountant
License No. (345)

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Interim condensed statement of financial position as at September 30, 2022

All amounts in Saudi Riyals unless otherwise stated)

	Notes	SEPTEMBER 30 2022 Unaudited	December 31 2021 Audited
Assets			
Non-current assets			
Property, plant and equipment, net	6	657,552,872	701,580,422
Intangible assets - net		739,484	997,357
Right to use assets - net		8,148,406	8,470,651
Total non-current assets		666,440,762	711,048,430
Current assets			
Inventory – Net		286,613,158	352,504,625
Trade receivables - net		24,999,979	16,282,219
Prepaid expenses and other receivable balances		21,777,661	12,398,025
Investments at FV through profit or loss	7	55,916,561	57,762,605
Cash and cash equivalents		92,658,114	47,914,295
Total current assets		481,965,473	486,861,769
Total assets		1,148,406,235	1,197,910,199
Shareholders' equity and Liabilities			
Shareholders' equity			
Share capital		979,000,000	979,000,000
Statutory reserve		56,707,109	56,707,109
Retained earnings		39,553,033	69,883,755
Treasury shares	8	(19,261,619)	-
Actuarial (losses) from other comprehensive income		(1,040,037)	(1,040,037)
Total shareholders' equity		1,054,958,486	1,104,550,827
Non-current liabilities			
Lease obligations		9,101,646	9,665,595
Employee defined benefits obligations		23,483,084	20,608,230
Other provisions		4,122,331	4,031,620
Total non-current liabilities		36,707,061	34,305,445
Current liabilities			
Trade payable		29,923,310	28,617,153
Accrued expenses and dividend payable		15,090,330	19,642,329
Zakat provision	9	11,727,048	10,794,445
Total current liabilities		56,740,688	59,053,927
Total liabilities		93,447,749	93,359,372
Total liabilities and shareholders' equity		1,148,406,235	1,197,910,199

Finance Manager



CEO – BOD Member



BOD Chairman



The accompanying notes from 1 to 18 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Interim condensed statement of profit or loss and other comprehensive income (unaudited) for the three and nine months periods ended at September 30, 2022

All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the three months period ended at September 30		For the nine months period ended at September 30	
		2022	2021	2022	2021
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue		103,280,477	56,080,235	268,215,003	203,883,463
Cost of revenue		(86,160,636)	(43,752,018)	(234,272,981)	(140,192,796)
Gross profit		17,119,841	12,328,217	33,942,022	63,690,667
Selling and distribution expenses		(848,509)	(762,680)	(2,632,666)	(2,434,016)
General and administrative expenses		(4,591,125)	(4,983,888)	(14,024,737)	(14,978,392)
Provisions	9	(538,615)	(202,011)	(11,160,634)	(1,029,036)
Profit from operations		11,141,592	6,379,638	6,123,985	45,249,223
Finance costs		(389,404)	(226,618)	(1,178,044)	(644,120)
Income from deposits		140,394	645,272	150,978	1,519,988
Profit / (loss) from change in fair value of the financial assets that measured at fair value through profit or loss	7	(516,789)	2,274,679	(1,846,044)	9,776,147
Other income / (expenses)		868,610	182,745	1,125,177	1,171,636
Profit before zakat		11,244,403	9,255,716	4,376,052	57,072,874
Zakat	10	(3,426,741)	(3,300,000)	(10,280,223)	(9,900,000)
(Loss) / profit for the period		7,817,662	5,955,716	(5,904,171)	47,172,874
Other comprehensive income for the period:		-	-	-	-
Total comprehensive (loss) / income for the period		7,817,662	5,955,716	(5,904,171)	47,172,874
Basic and diluted earnings per share for the period					
Basic earnings per share	13	0.08	0.06	(0.06)	0.48
Diluted earnings per share	13	0.08	0.06	(0.06)	0.48

Finance Manager



CEO – BOD Member



BOD Chairman



The accompanying notes from 1 to 18 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Interim condensed statement of changes in shareholders' equity (unaudited) for the nine months period ended September 30, 2022

All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory Reserve	Retained Earnings	Actuarial (losses) from other comprehensive income	Treasury shares	Total Shareholders' Equity
Balance as at January 01, 2021 (Audited)	979,000,000	52,466,362	129,617,034	428,627	-	1,161,512,023
Dividends distribution during the period	-	-	(48,950,000)	-	-	(48,950,000)
Net profit for the period	-	-	47,172,874	-	-	47,172,874
Balance as at September 30, 2022	979,000,000	52,507,982	127,839,908	428,627	-	1,159,734,897
Balance as at January 01, 2022 (Audited)	979,000,000	56,707,109	69,883,755	(1,040,037)	-	1,104,550,827
Dividends distribution during the period	-	-	(24,426,551)	-	-	(24,426,551)
Purchase of treasury shares during the period	-	-	-	-	(19,261,619)	(19,261,619)
Net (loss) for the period	-	-	(5,904,171)	-	-	(5,904,171)
Balance as at September 30, 2022	979,000,000	56,707,109	39,553,033	(1,040,037)	(19,261,619)	1,054,958,486

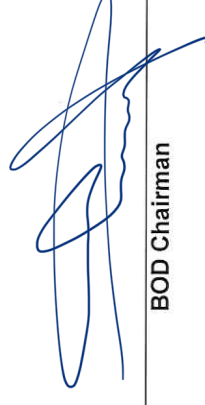
Finance Manager



CEO – BOD Member



BOD Chairman



The accompanying notes from 1 to 18 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Interim condensed statement of cash flows (unaudited) for the nine months period ended at September 30, 2022

All amounts in Saudi Riyals unless otherwise stated)

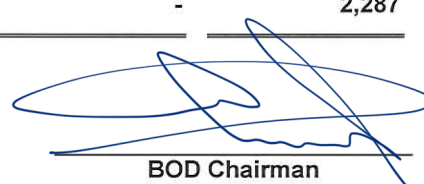
	For the nine months ended at September 30,	
	2022	2021
	Unaudited	Unaudited
Operating activities:		
Net profit for the period before Zakat	4,376,052	57,072,874
Adjustment		
Depreciation of property, plant and equipment and amortization of intangible assets	47,886,211	47,481,435
Right to use amortization	322,247	322,247
Interest expenses	835,032	300,098
Employee benefit obligations	3,738,419	2,904,644
Provisions	1,160,634	1,029,036
Losses / (profits) of the changes in fair value of investments at fair value through the profits and losses	1,846,044	(9,776,147)
Profit from disposal fixed assets	-	(31,059)
Changes in operating assets and liabilities	60,164,639	99,303,128
Inventories	64,896,435	(35,202,537)
Trade receivables, prepaid expenses and other receivable balances	(18,262,998)	7,717,513
Trade payable and accruals	(3,245,842)	(10,400,381)
Employee benefit obligations - paid	(1,393,837)	(673,837)
Zakat paid	(9,347,620)	(10,116,242)
Net cash provided by operating activities	92,810,777	50,627,644
Investing activities:		
Purchase of property, plant and equipment	(3,600,788)	(3,127,788)
Purchase of intangible assets	-	(1,388,416)
Proceeds from selling property, plants and equipment	-	31,974
Net cash (used in) investing activities	(3,600,788)	(4,484,230)
Finance activities:		
Purchase of treasury shares	(19,261,619)	-
Dividends paid	(24,426,551)	(48,947,713)
Lease payments	(778,000)	(470,000)
Net cash (used in) financial activities	(44,466,170)	(49,417,713)
Net increase / (decrease) in cash and cash equivalents	44,743,819	(3,274,299)
Cash and cash equivalents, beginning of the year	47,914,295	87,174,345
Cash and cash equivalents, end of the period / year	92,658,114	83,900,046
Non-monetary Transactions:		
Dividends unpaid	-	2,287



Finance Manager



CEO - BOD Member



BOD Chairman

The accompanying notes from 1 to 18 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements for the three and nine months periods ended September 30, 2022

(All amounts in Saudi Riyals unless otherwise stated)

1. The Company and activity

The Company

HAIL CEMENT COMPANY (the "Company"), is a Saudi Joint Stock Company, registered in Hail, Saudi Arabia under Commercial Registration No. 3350026399 dated November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H). Furthermore, the Company has also obtained a ministerial resolution No. 384/G on November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H) from the Ministry of Commerce and Industry.

The Company has obtained an industrial investment license No. 141931098717 dated August 26, 2010 (corresponding to 16 Ramadan 1431 H) from the Saudi Arabian General Investment Authority (SAGIA).

The company's shares are listed on the Capital Market Authority (CMA).

The company's main address is: Hail. P.O. Box: 1008, Postal Code: 81431.

The Company's activities

The Company's activities include the production and distribution of cement and its derivatives of all kinds of building materials and related accessories inside and outside the Kingdom of Saudi Arabia. The company also trades in cement and its derivatives of all kinds of building materials and related accessories inside and outside the Kingdom of Saudi Arabia. The company operates through its factory located in the Hail region.

The Financial period

The financial period presented of the company begins on January 1, 2022 and ends on September 30, 2022 and the company's financial year starts from The beginning of January of each year and ends at the end of December of the same year.

2. Basics of preparing condensed interim financial statements

Basis of preparation

These interim condensed financial statements have been prepared for the six months ended September 30, 2022 in accordance with IAS 34 Interim Financial Reporting adopted in Saudi Arabia and other standards and pronouncements endorsed by SOCPA. These condensed interim financial statements do not include all the information and explanations required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended 31 December 2021.

Basis of measurement

These interim condensed financial statements have been prepared according to the accrual basis of accounting using the going concern concept and on the basis of historical cost, except for:

- Investments that are measured at fair value through profit or loss.
- Employee defined benefit obligations that are measured at the present value of future liabilities according to the projected credit unit method.

Functional and presentation currency

The financial statements' items are presented in Saudi Riyals "SR" which is the functional and presentation currency of the Company.

Significant accounting estimates, assumptions and judgments

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures about assets and contingent liabilities at the date of the financial statements, the amounts of revenues and expenses declared, disclosure of contingent liabilities on the financial statements and the amounts of revenues and expenses of the declared values during the reporting period. Although these estimates and judgments are based on the best information available to management on operations and current events, actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation in these financial statements were the same as those that applied to the financial statements as at and for the year ended 31 December 2021.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements for the three and nine months periods ended September 30, 2022

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting policies

The accounting policies applied to these interim condensed financial statements are the same as those applied to the financial statements for the year ended 31 December 2021.

4. Changes in significant accounting policies

There are no new standards issued. However, a number of amendments to the standards are effective as of January 1, 2022, which were explained in the company's annual financial statements for the fiscal year 2021, but they do not have a material impact on the condensed interim financial statements.

5. Segment information

The Company's core business is in one product within the Kingdom of Saudi Arabia, therefore it does not report on operating segments in multiple products or in different geographical areas.

6. Property, plant and equipment – net

For the purpose of preparing the interim condensed cash flow statement, the movement in property, plant and equipment during the nine-month period ended September 30 is as follows:

	<u>For the nine months ended at</u> <u>September 30</u>	
	<u>2022</u> <u>Unaudited</u>	<u>2021</u> <u>Unaudited</u>
Depreciation of property, plant and equipment	47,628,338	47,039,906
Purchase of property, plant and equipment	3,600,788	3,127,788
- The land on which the factory was built is leased from the Ministry of Petroleum and Mineral Resources (Ministry of Energy) for a period of 30 years starting from 2012. The mining license issued by the Ministry of Petroleum and Mineral Resources gives the company the exclusive right to produce and exploit specific minerals in the licensed area, which has an area of 46.4 square kilometers.		

7. Investments at FV through profit or loss

The Company has invested SR 50 million, for the purpose of purchasing various shares, within the Discretionary Portfolio Management with Al Rajhi Capital. The fair value of the portfolio on September 30, 2022 is amounted to SR 55,916,561. It is stated as follows:

	<u>September 30,</u> <u>2022</u> <u>Unaudited</u>
Balance at January 1, 2022 (audited)	57,762,605
Loss of change in fair value of investments at fair value through profit or loss	(1,846,044)
Balance at September 30, 2022 (unaudited)	55,916,561

8. Treasury shares

The Extraordinary General Assembly of the company held on Tuesday 29 Dhu al-Qa'dah 1443H corresponding to June 28, 2022 resolved to approve the company's purchase of a number of its shares with a maximum of (4,895,000) shares and held them as treasury shares for a maximum period of (10) years from the date of approval of the Extraordinary General Assembly. After the end of this period, the company will follow the procedures and controls stipulated in the relevant laws and regulations.

- As at September 30, 2022, the company had purchased number of (1,493,478) shares of the company's shares at a cost amounted to SR. 19,261,619.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements for the three and nine months periods ended September 30, 2022

(All amounts in Saudi Riyals unless otherwise stated)

9. Provisions

	<u>30/09/2022</u>	<u>30/09/2021</u>
*Provision for government fines (note 9.1)	10,000,000	-
Other provisions	1,160,634	1,029,036
	<u>11,160,634</u>	<u>1,029,036</u>

- 9.1. On 11/05/1443H corresponding to (15/12/2021) a decision was issued by one of the governmental bodies against the company. This decision was appealed before the Administrative Court in Riyadh on 15/07/1443H corresponding to 16/02/ 2022) and the judgment was made in favor of the company, and then the plaintiff appealed the judgment.

On Muharram 5, 1444H, corresponding to August 3, 2022, the appeal session was held before the Administrative Court of Appeal and a decision was issued by the Administrative Court of Appeal to cancel the decision issued in favor of the company and approved the financial fine against the company amounted to SR. 10 million. The company's management decided to make a provision for the full amount, in addition to submitting an application to set aside the issued decision.

10. Zakat status

- The company filed its zakat return until the year ended December 31, 2021. The company paid the zakat due and obtained a certificate No.3005572814 for the year 2021, dated 23/09/1443 H, valid until 10/10/1444 H (corresponding to April 30, 2023).
- The Company received Zakat assessments for the years from 2015 until 2018, which resulted in differences amounting to (SR. 7,057,344). The Company objected to those differences, and escalated to the General Secretariat of the Zakat and Tax Committees.
- On 14/06/2022, the General Secretariat of the Tax and Zakat Committees of the dispute Committee issued a decision regarding the years 2015 and 2018 that rejecting the objection submitted by the company and the company filed an appeal against the committee's decision. According to the opinion of the company's Zakat advisor, he expects the company to succeed in settling these differences without having obligations or paying any differences resulting from these Zakat differences.
- On 26/07/2022, the General Secretariat of the Tax and Zakat Committees of the dispute Committee issued a decision regarding the years 2016 and 2017 that rejecting the objection submitted by the company to some of the objected items. The company filed an appeal against the committee's decision. According to the opinion of the company's Zakat advisor, he expects the company to succeed in settling these differences without having obligations or paying any differences resulting from these Zakat differences.
- The company received a zakat assessment for the years 2019 and 2020, which resulted in differences in the amount of (SR. 231,879), and these differences were paid.

11. Contingent liabilities

- As at September 30, 2022, letters of guarantee in favor of the Customs Authority in return for customs duties in the amount of SR. 530 thousand (December 31, 2021: SR. 530 thousand).

12. Interim results

The results of operations in the interim condensed financial statements may not be an accurate indication of the results of the operations included in the company's annual financial statements.

13. Earnings per share

Basic and diluted earnings per share for the three and nine months period ending on September 30, 2022 have been calculated as follows:

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements for the three and nine months periods ended September 30, 2022

(All amounts in Saudi Riyals unless otherwise stated)

13. Earnings per share...(Continued)

	<u>For the nine months period</u> <u>ended September 30</u>		<u>For the three months period</u> <u>ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Total (loss) comprehensive income	7,817,662	5,955,716	(5,904,171)	47,172,874
Weighted average number of outstanding shares	97,712,525	97,900,000	97,712,525	97,900,000
Basic and diluted earnings per share for the period:				
Basic earnings per share	0.08	0.06	(0.06)	0.48
Diluted earnings per share	0.08	0.06	(0.06)	0.48

The weighted average number of shares has been adjusted to reflect the effect of the treasury shares held by the company (note 8).

14. Dividends

- The Board of Directors resolved by passing on 27/01/1444H corresponding to 25/08/2022 to distribute cash dividends to the shareholders of the company at a value amounted to SR. 24,426,551 at SR. 0.25 per share for the financial period ending on June 30, 2022, provided that the eligibility is for the shareholders who own shares on the day of maturity and are registered in the company's shareholders register at the Depository Center at the end of the second trading day following the due date corresponding to Wednesday 04/02/1444H corresponding to 8/31/2022.

15. Impact of Coronavirus (Covid-19)

The impact of the spread of the Corona Virus (Covid-19) pandemic was disclosed in the annual financial statements for the year ending on December 31, 2021. The company's management did not notice any significant impact on the company's operations during the nine-month period ending on September 30, 2022, on the other hand, the company's management continues to closely monitor the situation of Covid-19 based on potential developments. The management has not been aware of any factors that would change the impact of the pandemic on the company's operations during or after 2022.

16. Significant events

On September 25, 2022, Hail Cement Company has signed a non-binding Memorandum of Understanding with Qassim Cement Company, according to which the two companies have agreed to start discussions on a securities swap deal under which Qassim Cement Company will acquire all issued shares in Hail Cement Company (the "Potential Transaction"). Accordingly, Hail Cement Company and Qassim Cement Company will commence the necessary due diligence studies related to the potential transaction. Taking into account the successful completion of the financial evaluation studies and what the relevant necessary due diligence studies may lead to, Hail Cement Company and Qassim Cement Company have agreed to move forward with discussions in the context of a non-binding swap coefficient whereby the shareholders of Hail Cement Company will obtain (0.1933) new shares in Qassim Cement Company for every share they own in Hail Cement Company (the "Swap factor"). In the event of the completion of the potential transaction based on the swap factor, the total consideration that Qassim Cement Company will pay to the shareholders of Hail Cement Company will be approximately (18,924,070) new shares in Qassim Cement Company. Based on the closing price of Qassim Cement Company's share, which amounts to (SR. 75) as at September 21, 2022, the evaluation of the share price of Hail Cement Company for the purposes of the potential transaction - if it is completed based on the swap factor - will be (SR. 14.5) per share. Which represents an increase in the share price of Hail Cement Company by 18.7% compared to the closing price of Hail Cement Company share as at 21/09/2022.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements for the three and nine months periods ended September 30, 2022

(All amounts in Saudi Riyals unless otherwise stated)

17. Subsequent events

The management believes that there are no other significant subsequent events from the interim condensed statement of financial position date on September 30, 2022 until the date of preparing these financial statements that may have a material impact on the company's financial position.

18. Approval of the interim condensed financial statements

The board of directors has approved these interim condensed financial statements on October 30, 2022 (corresponding to Rabi II 05, 1444 H).