

**EASTERN PROVINCE CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM**  
**FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE THREE AND NINE MONTHS PERIODS ENDED**  
**SEPTEMBER 30, 2021**  
**WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**EASTERN PROVINCE CEMENT COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Shareholders of  
 Eastern Province Cement Company  
 (A Saudi Joint Stock Company)  
 Dammam, Kingdom of Saudi Arabia

(1/1)

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Eastern Province Cement Company (the "Company"), a Saudi Joint Stock Company as of September 30, 2021 and the related interim statement of profit or loss and other comprehensive income for the three month and nine-month periods then ended, and the interim statement of changes in equity and cash flows for the nine-month period then ended, and notes, including a summary of significant accounting policies and other explanatory notes (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting (IAS 34)", as 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", as endorsed in the Kingdom of Saudi Arabia. A review of the condensed interim financial statements 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, as 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 are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### Other Matter

The Company's condensed interim financial statements for the three and nine-month periods ended of September 30, 2020, as well as the Company's financial statements for the year ended December 31, 2020, have been audited by another auditor, who issued an unqualified review report and audit report as of October 29, 2020 and March 10, 2021, respectively.

### Al Bassam & Co.

P.O. Box 4636  
 Al Khobar 31952  
 Kingdom of Saudi Arabia

**Ibrahim Ahmed Al Bassam**  
 Certified Public Accountant  
 License No. 337  
 Rabi' Alawwal 22, 1443H  
 October 28, 2021



**EASTERN PROVINCE CEMENT COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2021**  
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

|   |      | September 30,<br>2021<br>(Un-audited)<br>SR | December 31,<br>2020<br>(Audited)<br>SR |
|---|------|---|---|
|   | Note |   |   |
| <b>ASSETS</b>   |      |   |   |
| <b>Non-current assets</b>                                   |      |   |   |
| Property, plant and equipment                               |      | 778,209                                     | 819,514                                 |
| Intangible assets   |      | 1,318                                       | 1,613                                   |
| Investment properties                                       |      | 91,856                                      | 93,080                                  |
| Right-of-use asset  |      | 5,394                                       | 365                                     |
| Investments at fair value through OCI                       | 3    | 609,290                                     | 576,696                                 |
| Investment in an associate                                  | 4    | 209,823                                     | 199,018                                 |
| Prepayments and other current assets - non current          | 6    | 9,541                                       | 8,589                                   |
|   |      | <u>1,705,431</u>                            | <u>1,698,875</u>                        |
| <b>Current assets</b>                                       |      |   |   |
| Inventories, net  |      | 439,091                                     | 427,218                                 |
| Trade and retention receivables, net                        | 5    | 209,995                                     | 192,671                                 |
| Prepayments and other current assets - current, net         | 6    | 21,287                                      | 22,623                                  |
| Cash and cash equivalents                                   |      | 360,832                                     | 528,641                                 |
|   |      | <u>1,031,205</u>                            | <u>1,171,153</u>                        |
| <b>TOTAL ASSETS</b>   |      | <u><b>2,736,636</b></u>                     | <u><b>2,870,028</b></u>                 |
| <b>EQUITY AND LIABILITIES</b>                               |      |   |   |
| <b>Equity</b>   |      |   |   |
| Share Capital   | 7    | 860,000                                     | 860,000                                 |
| Statutory reserve   |      | 430,000                                     | 430,000                                 |
| Voluntary reserve   |      | 404,639                                     | 404,639                                 |
| Retained earnings   |      | 447,496                                     | 623,436                                 |
| Reserve of valuation of equity instruments carried at FVOCI |      | 262,502                                     | 229,908                                 |
| Actuarial reserves  |      | (13,329)                                    | (14,495)                                |
|   |      | <u>2,391,308</u>                            | <u>2,533,488</u>                        |
| <b>LIABILITIES</b>  |      |   |   |
| <b>Non- current liabilities</b>                             |      |   |   |
| Employees' end of service benefits                          |      | 85,261                                      | 80,978                                  |
| Other provisions  |      | 34,187                                      | 33,608                                  |
| Lease liabilities – non-current                             |      | 4,003                                       | 222                                     |
|   |      | <u>123,451</u>                              | <u>114,808</u>                          |
| <b>Current liabilities</b>                                  |      |   |   |
| Accounts payable and other current liabilities              | 8    | 136,311                                     | 133,036                                 |
| Due to a related party                                      | 9    | 1,070                                       | 7,201                                   |
| Dividends payables  |      | 60,228                                      | 57,531                                  |
| Lease liabilities – current                                 |      | 1,413                                       | 155                                     |
| Zakat provision   | 10   | 22,855                                      | 23,809                                  |
|   |      | <u>221,877</u>                              | <u>221,732</u>                          |
| <b>Total liabilities</b>                                    |      | <u><b>345,328</b></u>                       | <u><b>336,540</b></u>                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                         |      | <u><b>2,736,636</b></u>                     | <u><b>2,870,028</b></u>                 |



Finance Manager



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 through 19 form an integral part of these condensed interim financial statements.

**EASTERN PROVINCE CEMENT COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER  
COMPERHENSIVE INCOME  
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021  
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)**

|  | Note | Three Months Period Ended |                       | Nine Months Period Ended |                       |
|--|------|---------------------------|-----------------------|--------------------------|-----------------------|
|  |      | September 30,<br>2021     | September 30,<br>2020 | September 30,<br>2021    | September 30,<br>2020 |
|  |      | (Un-audited)<br>SR        | (Un-audited)<br>SR    | (Un-audited)<br>SR       | (Un-audited)<br>SR    |
| Revenue, net   | 11   | 169,362                   | 159,095               | 598,459                  | 539,398               |
| Cost of revenue  |      | (113,331)                 | (107,987)             | (388,349)                | (350,641)             |
| <b>Gross profit</b>  |      | <b>56,031</b>             | <b>51,108</b>         | <b>210,110</b>           | <b>188,757</b>        |
| General and administrative expenses  |      | (9,279)                   | (8,569)               | (36,486)                 | (32,379)              |
| Selling and marketing expenses   |      | (2,016)                   | (2,087)               | (6,198)                  | (6,586)               |
| <b>Operating profit</b>  |      | <b>44,736</b>             | <b>40,452</b>         | <b>167,426</b>           | <b>149,792</b>        |
| Dividend income and interest on deposits   |      | 1,225                     | 2,637                 | 5,364                    | 6,032                 |
| Share of profit in an associate  | 4    | 6,246                     | 7,118                 | 16,897                   | 22,799                |
| Finance charges  |      | (762)                     | (691)                 | (2,230)                  | (2,280)               |
| Other income   |      | 2,243                     | 381                   | 6,591                    | 2,922                 |
| Other expense  |      | (5,921)                   | (1,589)               | (9,569)                  | (4,728)               |
| Losses on exchange of foreign currency   |      | 44                        | (236)                 | (684)                    | (303)                 |
| Losses on disposal of Property, plant and equipment                              |      | (787)                     | (45)                  | (2,435)                  | (600)                 |
| <b>Profit before zakat</b>   |      | <b>47,024</b>             | <b>48,027</b>         | <b>181,360</b>           | <b>173,634</b>        |
| Zakat expenses   | 10   | (9,300)                   | (5,400)               | (21,900)                 | (15,300)              |
| <b>Profit for the period</b>   |      | <b>37,724</b>             | <b>42,627</b>         | <b>159,460</b>           | <b>158,334</b>        |
| <b>Other Comprehensive income:</b>   |      |                           |                       |                          |                       |
| <i>Item that will not be reclassified to statement of profit or loss</i>         |      |                           |                       |                          |                       |
| Employees' end of service re-measurement   |      | (1,923)                   | (3,395)               | 1,166                    | (2,475)               |
| Unrealized gain / (loss) on equity instruments carried at fair value through OCI |      | 14,936                    | 13,024                | 32,594                   | (7,120)               |
| <b>Other comprehensive income / (loss) for the period</b>                        |      | <b>13,013</b>             | <b>9,629</b>          | <b>33,760</b>            | <b>(9,595)</b>        |
| <b>Total comprehensive income</b>  |      | <b>50,737</b>             | <b>52,256</b>         | <b>193,220</b>           | <b>148,739</b>        |
| Basic and diluted earnings per share   | 12   | 0.44                      | 0.50                  | 1.85                     | 1.84                  |



Finance Manager



Chief Executive Officer



Authorized Board Member

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**EASTERN PROVINCE CEMENT COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**  
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

|   | Share capital | Statutory reserve | Voluntary reserve | Retained earnings | Reserve of valuation of equity instruments carried at FVOCI | Actuarial reserves | Total equity |
|---|---------------|-------------------|-------------------|-------------------|---|--------------------|--------------|
|   | SR            | SR                | SR                | SR                | SR  | SR                 | SR           |
| Balance as at January 1, 2020 (Audited)       | 860,000       | 430,000           | 404,639           | 535,218           | 189,635   | (7,756)            | 2,411,736    |
| Net income for the period                     | -             | -                 | -                 | 158,334           | -   | -                  | 158,334      |
| Other comprehensive loss                      | -             | -                 | -                 | -                 | (7,120)   | (2,475)            | (9,595)      |
| Dividends (note 15)                           | -             | -                 | -                 | (129,000)         | -   | -                  | (129,000)    |
| Balance as at September 30, 2020 (Un-audited) | 860,000       | 430,000           | 404,639           | 564,552           | 182,515   | (10,231)           | 2,431,475    |
| Balance as at January 1, 2021 (Audited)       | 860,000       | 430,000           | 404,639           | 623,436           | 229,908   | (14,495)           | 2,533,488    |
| Net income for the period                     | -             | -                 | -                 | 159,460           | -   | -                  | 159,460      |
| Other comprehensive income                    | -             | -                 | -                 | -                 | 32,594  | 1,166              | 33,760       |
| Dividends (note 15)                           | -             | -                 | -                 | (335,400)         | -   | -                  | (335,400)    |
| Balance as at September 30, 2021 (Un-audited) | 860,000       | 430,000           | 404,639           | 447,496           | 262,502   | (13,329)           | 2,391,308    |



Finance Manager



Chief Executive Officer



Authorized Board Member

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**EASTERN PROVINCE CEMENT COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**  
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

|   | September 30,<br>2021<br>(Un-audited)<br>SR | September 30,<br>2020<br>(Un-audited)<br>SR |
|---|---|---|
| <b><u>Cash flows from operating activities:</u></b>               |   |   |
| Profit before zakat   | 181,360                                     | 173,634                                     |
| <b>Adjustments for:</b>   |   |   |
| Depreciation of property, plant and equipment                     | 72,845                                      | 68,949                                      |
| loss on disposal of property, plant and equipment                 | 2,435                                       | 600   |
| Dividend income and interest on deposits                          | (5,364)                                     | (6,032)                                     |
| Depreciation of investment properties                             | 1,224                                       | 1,224                                       |
| Amortization of Right-of-use asset                                | 184   | 1,196                                       |
| Provision for slow moving spare parts inventory                   | 1,782                                       | -   |
| Provision for trade receivables                                   | 2,000                                       | -   |
| Finance charges   | 2,230                                       | 2,280                                       |
| Share of profit in an associate                                   | (16,897)                                    | (22,799)                                    |
| Employees' end of service benefits                                | 8,120                                       | 8,267                                       |
|   | <u>249,919</u>                              | <u>227,319</u>                              |
| <b>Movement in working capital</b>                                |   |   |
| Trade, retention receivable, prepayments and other current assets | (18,940)                                    | 30,684                                      |
| Inventories   | (13,655)                                    | 65,789                                      |
| Trade and other current liabilities                               | 3,275                                       | 13,721                                      |
| Due to related parties  | (6,131)                                     | (55,861)                                    |
| Employees' end of service benefits paid                           | (2,671)                                     | (1,888)                                     |
| Zakat paid  | (22,854)                                    | (21,150)                                    |
| Finance cost paid   | (1,651)                                     | (1,677)                                     |
| <b>Net cash generated from operating activities</b>               | <u>187,292</u>                              | <u>256,937</u>                              |
| <b><u>Cash flows from investing activities:</u></b>               |   |   |
| Additions to property, plant and equipment                        | (33,680)                                    | (30,127)                                    |
| Proceeds from dividend income and interest on deposits            | 5,364                                       | 3,557                                       |
| Dividends received from associate                                 | 6,092                                       | 9,290                                       |
| <b>Net cash used in investing activities</b>                      | <u>(22,224)</u>                             | <u>(17,280)</u>                             |
| <b><u>Cash flows from financing activities:</u></b>               |   |   |
| Dividends paid  | (332,703)                                   | (129,315)                                   |
| Repayment of lease liabilities                                    | (174)                                       | (1,251)                                     |
| <b>Net cash used in financing activities</b>                      | <u>(332,877)</u>                            | <u>(130,566)</u>                            |
| <b>Net change in cash and cash equivalents</b>                    | <u>(167,809)</u>                            | <u>109,091</u>                              |
| Cash and cash equivalent at the beginning of the period           | <u>528,641</u>                              | <u>339,838</u>                              |
| <b>Cash and cash equivalents at the end of the period</b>         | <u><u>360,832</u></u>                       | <u><u>448,929</u></u>                       |
| <b><u>Non-cash transactions</u></b>                               |   |   |
| Additions to Right-of-use asset                                   | (5,213)                                     | -   |
| Lease liabilities   | 5,213                                       | -   |
| Employees' end of service re-measurement                          | 1,166                                       | (2,475)                                     |
| Unrealized gain / (loss) on equity instruments carried at FVOCI   | 32,594                                      | (7,120)                                     |



Finance Manager



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 through 19 form an integral part of these condensed interim financial statements.

**EASTERN PROVINCE CEMENT COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021**  
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Eastern Province Cement Company ("the Company") is a Saudi Joint Stock Company established in accordance with the royal decree No. M/11 dated Rabi' Alawwal 14, 1402 (Corresponding to January 9, 1982), and the resolution of His Royal Highness the Minister of Commerce No. 939 dated Rabi Al Thani 3, 1403 (Corresponding to January 17, 1983), and registered in Dammam under the Commercial Registration No. 2050013400 dated Jumada Alawwal 22, 1403 (Corresponding to March 7, 1983).

The Company's registered office is located at city of Dammam, Kingdom of Saudi Arabia.

The main activities of the Company are in the operation of quarries, mining of gypsum and anhydrite, wholesale of cement and Gypsum. The Company has a sub-commercial registration in Jubail City for the Eastern Cement Factory No. 2055022383 dated Jumada Al-Thani 16, 1435 (Corresponding to April 16, 2014), which deals in the production of ordinary cement (Portland cement), salt-resistant cement, and clinker cement under the National Industrial License No. 1300.

The Company obtained by the Royal Decree No. M/6 dated 17 Rabi' Al Thani 1405 (Corresponding to January 9, 1985) the mining franchise for exploitation of limestone and clay in Al Khorasania area for a renewable period of thirty years. The Company has completed the legal procedures to renew the franchise license. The Ministerial Decree No. 5334/G dated Rajab 12, 1438 had been issued to renew the Company's rights in utilizing the limestone and clay for its factory located in Al-Tawy site near Al-khorasania in Al-Jubail province for thirty Hijri years starting from Rabi Alawwal 18, 1436.

The Company also obtained by the Ministerial Decree No. 14/Q dated Safar 24, 1433 (Corresponding to January 18, 2012) the mining franchise for the exploitation of limestone and clay in Al Najabia valley at Al Ahsa Province in the Eastern region for ten Hijri years.

The condensed interim financial statements of the Company as at September 30, 2021 include the financial statements of the Company and its following branch:

| <u>Branch Commercial<br/>Registration No.</u> | <u>Date</u>    | <u>Place of<br/>Issue</u> | <u>Commercial Name of the Branch</u>                              |
|---|----------------|---------------------------|---|
| 2051035184                                    | Rajab 21, 1428 | Dammam                    | Prainsa Saudi Arabia – Branch of Eastern Province Cement Company. |

The branch activity is the production of precast concrete items under the Industrial License No. 3031328, dated Rabi' Awwal 3, 1437.

The Board of Directors of the Eastern Province Cement Company decided in its meeting held on December 11, 2018, to start the procedures for converting the Prainsa Saudi Arabia branch into a limited liability company, and the legal formalities for change in legal structure of branch had not been completed up to September 30, 2021.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed interim financial statements of the Company for the three and nine months periods ended September 30, 2021 have been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" that are endorsed in the kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Company's latest annual financial statements for the year ended December 31, 2020 ("latest annual financial statements"). These condensed interim financial statements do not include all of the information normally required for a complete set of IFRS financial statements. However, accounting policies and selected explanatory notes are included to reflect events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the latest annual financial statements.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021**  
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

**2. BASIS OF PREPARATION (Continued)**

**2.2 Preparation of the condensed interim financial statements**

The condensed interim financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method.

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts in condensed interim financial statements. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual financial statements.

**2.3 Standards and amendments issued and applied effective January 1, 2021**

There is no new standard issued, however, there are amendments to the following standards, which are effective from January 1, 2021 which have no material impact on the condensed interim financial statements;

| <b>Amendments to standard</b>              | <b>Description</b>  | <b>Effective for annual years beginning on or after</b> |
|--|---|---|
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2  | January 1, 2021   |
| IFRS 16                                    | Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification | April 1, 2021   |

**2.4 New standards, amendments and revised IFRS issued but not yet effective**

The Company has not applied the following new and revised IFRSs and amendments that have been issued but are not yet effective.

| <b>Amendments to standard</b>      | <b>Description</b>  | <b>Effective for annual years beginning on or after</b> |
|------------------------------------|---|---|
| IAS 37                             | Onerous Contracts – Cost of Fulfilling a Contract                                     | January 1, 2022   |
| IFRS 16, IFRS 9, IAS 41 and IFRS 1 | Annual Improvements to IFRS Standards 2018–2020                                       | January 1, 2022   |
| IAS 16                             | Property, Plant and Equipment: Proceeds before Intended Use                           | January 1, 2022   |
| IFRS 3                             | Reference to the Conceptual Framework   | January 1, 2022   |
| IFRS 17                            | Insurance Contracts   | January 1, 2023   |
| IAS 1                              | Classification of Liabilities as Current or Non-current                               | January 1, 2023   |
| IAS 8                              | Amendments regarding the definition of accounting estimates                           | January 1, 2023   |
| IAS 12                             | Amendments regarding deferred tax on leases and decommissioning obligations           | January 1, 2023   |
| IFRS 10 and IAS 28                 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | N/A   |

Management anticipates that these new interpretations and amendments will be adopted in the Company's condensed interim financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the year of initial application.

**EASTERN PROVINCE CEMENT COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2021**  
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

**3. INVESTMENTS AT FAIR VALUE THROUGH OCI**

|   | Note | September 30, 2021                    |                | December 31, 2020                     |                |
|---|------|---------------------------------------|----------------|---------------------------------------|----------------|
|   |      | Number of<br>shares<br>(in thousands) | Amount         | Number of<br>shares<br>(in thousands) | Amount         |
| Saudi Industrial Investment Group             | 3-a  | 2,300                                 | 93,840         | 2,300                                 | 63,020         |
| Industrialization and Energy Services Company | 3-b  | 27,187                                | 451,584        | 27,187                                | 451,584        |
| Saudi Arabian Oil Company (Aramco)            | 3-c  | 1,774                                 | 63,866         | 1,774                                 | 62,092         |
|   |      |                                       | <b>609,290</b> |                                       | <b>576,696</b> |

3-a The Saudi Industrial Investment Group (a Saudi joint stock company listed on the financial market) (Tadawul) whereby the company owns 0.51% equity shares of the company. The share price of the investee company as of September 30, 2021 was SR 40.8 per share (December 31, 2020: SR 27.4 per share).

3-b Industrialization and Energy Services Company is Saudi closed joint stock company whereby the company owns 5.44% of equity shares of the company. The Company's management determined the value of investments in the Industrialization and Energy Services Company based on a report from an independent evaluator as of December 31, 2020 by a value of SR 16.61 per share, resulting in a total value of the investment amounting to SR 451,584.

3-c On year 2019, the company acquired 1.8 million shares in the shares of the Saudi Arabian Oil Company (Aramco) at a price of SR 32 per share, and the price per share on September 30, 2021 was SR 36 per share (December 31 2020: SR 35 per share).

**4. INVESTMENT IN AN ASSOCIATE**

The company has investment in 31.58% equity shares in the Arab Yemen Cement Company ("the associate"), a limited liability company registered in the Republic of Yemen. The associate company was established to engage in cement production and started production in 2009. The movement in investment is as follows:

|  | September 30,<br>2021<br>(Un-audited) | December 31,<br>2020<br>(Audited) |
|--|---------------------------------------|-----------------------------------|
| Opening balance                              | 266,014                               | 236,987                           |
| Share of profit for the during period / year | 16,897                                | 38,317                            |
| Dividends                                    | (6,092)                               | (9,290)                           |
|  | <b>276,819</b>                        | 266,014                           |
| Less: impairment of investment               | (66,996)                              | (66,996)                          |
| Closing balance                              | <b>209,823</b>                        | 199,018                           |

**EASTERN PROVINCE CEMENT COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**  
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**5. TRADE AND RETENTION RECEIVABLES, NET**

|   | September 30,<br>2021<br>(Un-audited) | December 31,<br>2020<br>(Audited) |
|---|---------------------------------------|-----------------------------------|
| Trade receivables   | 229,406                               | 216,195                           |
| Retention receivables   | 44,293                                | 38,180                            |
| Less: Allowance for impairment of trade and retention receivables | (63,704)                              | (61,704)                          |
|   | <u>209,995</u>                        | <u>192,671</u>                    |

**6. PREPAYMENTS AND OTHER CURRENT ASSETS, NET**

|   | September 30,<br>2021<br>(Un-audited) | December 31,<br>2020<br>(Audited) |
|---|---------------------------------------|-----------------------------------|
| Employee loans  | 12,238                                | 10,891                            |
| Advances to suppliers   | 10,969                                | 6,395                             |
| Prepaid expenses  | 5,828                                 | 8,563                             |
| Accrued interest  | 80                                    | 1,512                             |
| Other receivables   | 3,075                                 | 5,213                             |
|   | <u>32,190</u>                         | <u>32,574</u>                     |
| Less: Allowance for impairment of prepayment and other current assets | (1,362)                               | (1,362)                           |
|   | <u>30,828</u>                         | <u>31,212</u>                     |
| Less: non-current portion of employee loans                           | (9,541)                               | (8,589)                           |
|   | <u>21,287</u>                         | <u>22,623</u>                     |

**7. SHARE CAPITAL**

The issued and paid up share capital of the company is SR 860 million, which is divided into 86 million shares (December 31, 2020: SR 860 million divided into 86 million shares) of SR 10 per share.

**8. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

|                           | September 30,<br>2021<br>(Un-audited) | December 31,<br>2020<br>(Audited) |
|---------------------------|---------------------------------------|-----------------------------------|
| Trade payables            | 69,360                                | 64,146                            |
| Accrued expenses          | 43,066                                | 42,544                            |
| Advances from customers   | 12,383                                | 13,131                            |
| Retention payable         | 5,403                                 | 4,669                             |
| VAT payable               | 3,877                                 | 4,372                             |
| Unearned revenues         | 2,138                                 | 4,104                             |
| Other current liabilities | 84                                    | 70                                |
|                           | <u>136,311</u>                        | <u>133,036</u>                    |

**9. RELATED PARTIES BALANCES AND TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders, directors and businesses in which shareholders and directors, individually or combined, have significant influence. The Company's transactions with related parties are authorized by the management.

Transactions represent amounts received by the company from the account of the Arab Yemeni Cement Company (an associate company) in a bank in the State of Oman until they are paid to the suppliers and creditors of the associate on its behalf, as the associate faces difficulties in bank transfers to and from the Republic of Yemen.

**Company**

**Relationship**

Arabian Yemeni Cement Company  
Al-Dawaa Medical Services Company

Associate  
Related party

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**9. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)**

The significant transactions with related parties during the period are as follows:

| Related party                     | Nature of transaction   | Nine months<br>period ended<br>September 30,<br>2021<br>(Un-audited) | Nine months<br>period ended<br>September 30,<br>2020<br>(Un-audited) |
|-----------------------------------|---|--|--|
| Arabian Yemeni Cement Company     | Payments to members of the Board of Directors of the Yemeni Company | 1,575  | 1,795  |
|                                   | Payments to Yemeni Company suppliers                                | 1,840  | 31,195   |
|                                   | Installment payments International Finance Corporation              | -  | 42,100   |
|                                   | Deposits from the Company   | (3,375)  | (28,519)   |
|                                   | Payments transferred of the Company                                 | 6,091  | 9,289  |
| Al-Dawaa Medical Services Company | Rent revenue  | 1,897  | -  |

**A) Balances payable to a related party is as follows:**

|                               | September 30,<br>2021<br>(Un-audited)<br>SR | December 31,<br>2020<br>(Audited)<br>SR |
|-------------------------------|---|---|
| Arabian Yemeni Cement Company | 1,070                                       | 7,201                                   |

B) Accounts receivable as at September 30, 2021 the balance included from Al-Dawaa Medical Services Company amounted to SR 143,136 (December 31, 2020: SR 2,062,288).

**C) Remuneration of directors and key management personnel**

|                                 | September 30, 2021 (Un-audited) |                          | September 30, 2020 (Un-audited) |                          |
|---------------------------------|---------------------------------|--------------------------|---------------------------------|--------------------------|
|                                 | Directors                       | Key management personnel | Directors                       | Key management personnel |
| Board of directors remuneration | 2,550                           | -                        | 2,141                           | -                        |
| Salaries, wages and allowances  | 110                             | 6,038                    | 92                              | 5,290                    |
| End of service expenses         | -                               | 404                      | -                               | 377                      |
|                                 | 2,660                           | 6,442                    | 2,233                           | 5,667                    |

**10. ZAKAT PROVISION**

**Movement of zakat provision**

|   | September 30,<br>2021<br>(Un-audited)<br>SR | December 31,<br>2020<br>(Audited)<br>SR |
|---|---|---|
| The balance at the beginning of the period / year | 23,809                                      | 24,023                                  |
| Zakat charge                                      | 21,900                                      | 29,000                                  |
| Paid for the period / year                        | (22,502)                                    | (21,150)                                |
| Payment specific to zakat assessment              | (352)                                       | (8,064)                                 |
| The balance at the end of the period / year       | 22,855                                      | 23,809                                  |

**Zakat Status**

The company submitted the zakat returns for the years up to 2020 to the Zakat, Tax and Customs Authority.

In year 2020, the company received the zakat assessment for the years 2017 and 2018 from the Zakat, Tax and Customs Authority at an amount of SR 8 million, and the company settled those differences with the Authority during the first quarter of 2021 against payment of SR 7,5 million paid during 2020 and the first quarter of 2021.

Also, zakat and tax claims of the branch of the Company (Prainsa Saudi Precast Concrete) have been settled for the periods from 2007 to 2013 against payment of SR 0,9 million paid during 2020.

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**11.SEGMENTAL REPORTING**

The Company has segregated the operations into two main reporting segments, these reporting segment are as follows:

| <u>Segment</u> | <u>Business</u>   |
|----------------|---|
| Cement         | Manufacturing and wholesale ordinary cement, salt-resistant cement and clinker cement     |
| Precast        | Manufacture of partitions, frames and prefabricated buildings from prefabricated concrete |

| <u>As of September 30, 2021 (Un-audited)</u> | <u>Cement</u> | <u>Precast</u> | <u>Intersegment adjustments</u> | <u>Total</u> |
|--|---------------|----------------|---------------------------------|--------------|
| Total assets                                 | 2,564,041     | 199,970        | (27,375)                        | 2,736,636    |
| Total liabilities                            | 303,575       | 71,534         | (29,781)                        | 345,328      |

For the nine months period ended September 30, 2021 (Un-audited)

|              |         |        |         |         |
|--------------|---------|--------|---------|---------|
| Revenue, net | 502,411 | 99,377 | (3,329) | 598,459 |
| Net profit   | 157,209 | 856    | 1,395   | 159,460 |

|  | <u>Cement</u> | <u>Precast</u> | <u>Intersegment adjustments</u> | <u>Total</u> |
|--|---------------|----------------|---------------------------------|--------------|
| <u>As of December 31, 2020 (Audited)</u> |               |                |                                 |              |
| Total assets                             | 2,695,684     | 195,062        | (20,718)                        | 2,870,028    |
| Total liabilities                        | 290,319       | 67,948         | (21,727)                        | 336,540      |

For the nine months period ended September 30, 2020 (Un-audited)

|                     |         |         |         |         |
|---------------------|---------|---------|---------|---------|
| Revenue, net        | 489,477 | 52,278  | (2,357) | 539,398 |
| Net profit / (loss) | 163,292 | (6,618) | 1,660   | 158,334 |

The revenue according to the geographical areas is as follows:

|                 | <u>September 30,<br/>2021<br/>(Un-audited)</u> | <u>September 30,<br/>2020<br/>(Un-audited)</u> |
|-----------------|--|--|
| Saudi Arabia    | 592,061  | 525,719  |
| Other countries | 6,398  | 13,679   |
|                 | <u>598,459</u>                                 | <u>539,398</u>                                 |

Revenues from three major customers of the Company's Cement segment was SR 311 million represented approximately 55% of the Company's total revenues.

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**12. EARNINGS PER SHARE**

The basic profit per share is calculated by dividing the net income for the period attributable to the ordinary shareholders of the company by the weighted average number of the outstanding ordinary shares during the period.

The following is the computation of basic and diluted earnings per share:

|   | For the three months period ended      |                                 | For the nine months period ended       |                                 |
|---|--|---------------------------------|--|---------------------------------|
|   | <b>September 30, 2021 (Un-audited)</b> | September 30, 2020 (Un-audited) | <b>September 30, 2021 (Un-audited)</b> | September 30, 2020 (Un-audited) |
| Net profit for the period (in thousands of SR)        | <b>37,724</b>                          | 42,627                          | <b>159,460</b>                         | 158,334                         |
| Number of outstanding shares (in thousands of shares) | <b>86,000</b>                          | 86,000                          | <b>86,000</b>                          | 86,000                          |
| Basic and diluted earnings per share (SR)             | <b>0.44</b>                            | 0.50                            | <b>1.85</b>                            | 1.84                            |

**13. CAPITAL COMMITMENTS**

The approved future capital projects as of September 30, 2021 by the company's management amounted to SR 18.4 million (December 31, 2020: SR 7 million).

**14. CONTINGENT LIABILITIES**

As of September, 30, 2021, the Company's contingent liabilities against letters of credit and letters of guarantees amounting to SR 94.3 million (December 31, 2020: SR 100 million).

**15. DIVIDENDS**

During the period, on August 2, 2021, the board of directors approved the distribution of SR 1.4 per share to the shareholders of the Company for the first half of financial year 2021 to have total of cash dividends amounted to SR 120.4 million.

On April 11, 2021, the General assembly approved the distribution of SR 2.5 per share to the shareholders of the Company for the financial year 2020 to have total of cash dividends amounted to SR 215 million.

Also on April 14, 2020, the General assembly approved the distribution of SR 1.5 per share to the shareholders of the Company for the financial year 2019 to have total of cash dividends amounted to SR 129 million.

**16. FAIR VALUE**

For the purposes of financial reporting, the company used the fair value hierarchy classified at levels 1, 2 and 3 based on the degree of observance of the inputs in the fair value measurement and the importance of these inputs in measuring the fair value in its entirety, as shown below:

- Level 1: Quoted market prices in an active market for similar assets or liabilities that the company can value at the measurement date.
- Level 2: Inputs other than quoted prices in Level 1 that can be taken as a value for the assets or liabilities, either directly or indirectly.
- Level 3: inputs for assets and liabilities that are not based on observable market information.

Investments in quoted equity instruments in the Saudi market are valued according to the market closing price on the date of the financial statements and those instruments have been classified under Level 1.

Investments in unquoted equity instruments are evaluated based on approved valuation methods that depend on income approach and market approach, and those instruments are classified under level 3.



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**16. FAIR VALUE (Continued)**

|   | Book value<br>SR | Fair Value     |               |                |
|---|------------------|----------------|---------------|----------------|
|   |                  | Level-1<br>SR  | Level-2<br>SR | Level -3<br>SR |
| <b>As of September 30, 2021 (Un-audited)</b>  |                  |                |               |                |
| Investments in equity instruments through OCI | <u>609,290</u>   | <u>157,706</u> | <u>-</u>      | <u>451,584</u> |
| <b>As at December 31, 2020 (Audited)</b>      |                  |                |               |                |
| Investments in equity instruments through OCI | <u>576,696</u>   | <u>125,112</u> | <u>-</u>      | <u>451,584</u> |

**The fair value of financial instruments carried at amortized cost**

Management believes that the carrying value of financial assets and financial liabilities stated at amortized cost in the financial statements approximates their fair value.

**17. COMPARATIVE FIGURES**

Certain comparative period amounts have been reclassified to conform to the current period presentation. The main items of reclassification are as follows:

**A- Interim statement of financial position**

| Reclassification from                          | Reclassification to                                | December 31, 2020<br>(Audited)<br>SR |
|--|--|--------------------------------------|
| Prepayments and other current assets - current | Prepayments and other current assets - non current | 8,589                                |

**B- Interim statement of profit or loss and other comprehensive income**

| Reclassification from          | Reclassification to | Nine months period<br>ended September 30,<br>2020<br>SR | Three months period<br>ended September 30,<br>2020<br>SR |
|--------------------------------|---------------------|---|--|
| Selling and marketing expenses | Cost of revenue     | 3,710   | 1,291  |

These reclassifications do not affect previously reported profit for the three and nine months periods September 30, 2020 in the interim statement of profit or loss and other comprehensive income and the previously reported cash flows from operating activities in the interim statement of cash flows for the nine months periods then ended.

**18. SUPPLEMENTARY INFORMATION**

Coronavirus pandemic (COVID-19)

The Company is continuing its operations without any significant disruption after implementing the necessary business continuity procedures and ensuring required precautionary measures. As the COVID-19 situation is still fluid and evolving, currently it is difficult to measure the complete extent and duration of the economic impact. However, management believes, based on its assessment of the situation and available information, that there is no significant impact on the Company's financial performance and that the Company has sufficient liquidity to continue to meet its financial obligations for the foreseeable future as and when they become due.

**19. APPROVAL THE CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved on by the Board of Directors of the Company on October 28, 2021.