

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months periods ended 30 September 2016
with

INDEPENDENT AUDITORS' REVIEW REPORT



KPMG Al Fozan & Partners
Certified Public Accountants
Zahran Business Centre, Tower A, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Shareholders
Yanbu Cement Company
(Saudi Joint Stock Company)
Jeddah, Saudi Arabia

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of Yanbu Cement Company - a Saudi Joint Stock Company - ("the Company") and its subsidiary (collectively referred to as "the Group") as at 30 September 2016, the related interim consolidated statement of income for the three and nine months periods ended 30 September 2016, and the interim consolidated statements of cash flows and changes in equity for the nine months period then ended and the attached notes (1) through (13) which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382



17 Muharram 1438H
Corresponding to 18 October 2016

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 September 2016
Expressed in Saudi Riyals

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		35,979,921	68,581,498
Trade receivables		154,619,244	200,709,619
Inventories	4	571,838,080	558,825,692
Prepayments and other current assets		44,322,564	22,522,144
Total current assets		<u>806,759,809</u>	<u>850,638,953</u>
Non-current assets			
Property, plant and equipment	5	3,154,229,553	3,138,087,571
Total non-current assets		<u>3,154,229,553</u>	<u>3,138,087,571</u>
Total assets		<u>3,960,989,362</u>	<u>3,988,726,524</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Current portion of long term loans	6	62,108,000	97,108,000
Trade payables		9,839,178	11,011,884
Dividends payable	7	73,503,722	70,779,758
Zakat provision		11,744,013	17,484,588
Accrued expenses and other current liabilities		87,283,942	61,927,638
Total current liabilities		<u>244,478,855</u>	<u>258,311,868</u>
Non-current liabilities			
Non-current portion of long term loans	6	179,057,000	130,416,000
Employee's end of service benefits provision		78,290,857	73,541,473
Total non-current liabilities		<u>257,347,857</u>	<u>203,957,473</u>
Total liabilities		<u>501,826,712</u>	<u>462,269,341</u>
<u>EQUITY</u>			
Equity attributable to the Company's shareholders			
Capital	1	1,575,000,000	1,575,000,000
Statutory reserve		787,500,000	787,500,000
Retained earnings		1,065,820,729	1,132,155,834
Total equity attributable to the Company's shareholders		<u>3,428,320,729</u>	<u>3,494,655,834</u>
Non-controlling interest		30,841,921	31,801,349
Total equity		<u>3,459,162,650</u>	<u>3,526,457,183</u>
Total liabilities and equity		<u>3,960,989,362</u>	<u>3,988,726,524</u>

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three and nine months periods ended 30 September 2016

Expressed in Saudi Riyals

	Note	For the three months period ended 30 September		For the nine months period ended 30 September	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Sales		235,514,605	310,722,374	983,414,452	1,186,619,022
Costs of sales		(128,029,498)	(149,092,314)	(506,346,131)	(538,955,199)
Gross profit		107,485,107	161,630,060	477,068,321	647,663,823
Selling and distribution expenses		(2,792,857)	(2,426,620)	(9,845,845)	(10,388,216)
General and administrative expenses		(6,417,724)	(8,484,444)	(21,864,203)	(23,721,803)
Income from operations		98,274,526	150,718,996	445,358,273	613,553,804
Other income		386,791	387,995	4,836,307	2,046,784
Financial charges		(2,021,732)	(2,222,691)	(3,468,097)	(4,518,969)
Net income before Zakat and non-controlling interest		96,639,585	148,884,300	446,726,483	611,081,619
Zakat		(3,250,000)	(4,150,000)	(10,550,000)	(13,550,000)
Net income before non- controlling interest		93,389,585	144,734,300	436,176,483	597,531,619
Non-controlling interest		(17,635)	(67,316)	(309,765)	(195,948)
Net income		93,371,950	144,666,984	435,866,718	597,335,671
Earnings per share from:	9				
Income from operations		0.62	0.96	2.83	3.90
Other income		0.002	0.002	0.03	0.013
Net income		0.59	0.92	2.77	3.79

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Operating activities			
Net income before Zakat and non-controlling interest		446,726,483	611,081,619
Adjustments:			
Depreciation of property, plant and equipment		166,607,432	159,669,988
Amortization of deferred financing costs	6-1	2,169,000	2,169,000
Gain on disposal of property, plant and equipment		--	(65,000)
Employee's end of service benefits provision for the period		9,220,634	10,069,552
		<u>624,723,549</u>	<u>782,925,159</u>
Changes in operating assets and liabilities			
Trade receivables		64,993,509	(9,343,975)
Inventories		(42,986,161)	(7,533,117)
Due from a related party		323,640	--
Prepayments and other current assets		(19,425,288)	2,284,446
Trade payables		(3,407,192)	(10,759,918)
Accrued expenses and other current liabilities		(8,876,941)	(35,086,702)
Employee's end of service benefits paid		(5,118,520)	(2,200,443)
Zakat paid		(18,299,620)	(17,619,928)
Net cash provided by operating activities		<u>591,926,976</u>	<u>702,665,522</u>
Investing activities			
Additions to property, plant and equipment		(214,465,629)	(110,571,469)
Proceeds on disposal of property, plant and equipment		--	65,000
Net cash used in investing activities		<u>(214,465,629)</u>	<u>(110,506,469)</u>
Financing activities			
Bank facilities obtained		110,749,000	--
Repayment of bank facilities		(30,000,000)	(182,012,404)
Dividends paid to shareholders	7	(705,581,690)	(627,426,462)
Dividends paid to non-controlling interest		(1,200,000)	(1,600,000)
Board of Directors' remunerations		(2,200,000)	(2,200,000)
Net cash used in financing activities		<u>(628,232,690)</u>	<u>(813,238,866)</u>
Net change in cash and cash equivalents		(250,771,343)	(221,079,813)
Cash and cash equivalents at the beginning of the period		<u>286,751,264</u>	<u>289,661,311</u>
Cash and cash equivalents at the end of the period		<u>35,979,921</u>	<u>68,581,498</u>

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2016
Expressed in Saudi Riyals

	Note	Total equity attributable to the Company's shareholders			Non-controlling interest	Total equity
		Capital	Statutory reserve	Retained earnings		
As at 30 September 2016						
Balance at January 1, 2016 (audited)		1,575,000,000	787,500,000	1,340,904,011	3,703,404,011	3,735,136,167
Net income for the period		--	--	435,866,718	435,866,718	436,176,483
Dividends declared	7	--	--	(708,750,000)	(708,750,000)	(708,750,000)
Share of minority interest in the subsidiary's dividends		--	--	--	--	(1,200,000)
Board of Directors' remunerations		--	--	(2,200,000)	(2,200,000)	(2,200,000)
Balance as at 30 September 2016 (unaudited)		1,575,000,000	787,500,000	1,065,820,729	3,428,320,729	3,459,162,650
As at 30 September 2015						
Balance at January 1, 2015		1,575,000,000	787,500,000	1,167,020,163	3,529,520,163	3,562,725,564
Net income for the period		--	--	597,335,671	597,335,671	597,531,619
Dividends declared	7	--	--	(630,000,000)	(630,000,000)	(630,000,000)
Share of minority interest in the subsidiary's dividends		--	--	--	--	(1,600,000)
Board of Directors' remunerations		--	--	(2,200,000)	(2,200,000)	(2,200,000)
Balance as at 30 September 2015 (unaudited)		1,575,000,000	787,500,000	1,132,155,834	3,494,655,834	3,526,457,183

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the nine months period ended 30 September 2016
Expressed in Saudi Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Yanbu Cement Company was established as a Saudi Joint Stock Company ("the Company" or "the Parent Company") incorporated per Royal Decree No. M/10 on 24/3/1397H based on the Council of Ministers Resolution No. 1074 on 10/8/1394H and is registered in Yanbu City under Commercial Registration No. 4700000233 on 21/11/1398H pursuant to Ministry of Industry and Electricity Resolution No. 67/S on 17/3/1396H.

The Company is engaged in the manufacturing of ordinary Portland cement, resistant cement and pozzolanic cement.

The interim consolidated financial statements comprise the financial statements of the parent company and its mentioned below subsidiary (collectively referred to as "the Group"):

<u>Subsidiary's name</u>	<u>Country of incorporation</u>	<u>Shareholding</u>
Yanbu Saudi Kuwaiti Paper Products Company Limited	Kingdom of Saudi Arabia	60%

The subsidiary is engaged in the manufacturing and wholesale trading of all kinds of cement paper bags.

The Head office of the Company is located at the following address:

Yanbu Cement Company
Al Baghdadiyah Al Gharbiyah District, Jeddah
P. O. Box 5530
Jeddah 21422
Kingdom of Saudi Arabia

The issued and paid-up capital of the Company amounted to SR 1,575 million is divided into 157.5 million cash paid ordinary shares paid in cash, each of SR 10 value.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim consolidated financial statements are prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia and in accordance with the accounting standard on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants.

These interim consolidated financial statements include all the adjustments which consist primarily of normal recurring adjustments considered necessary by the Management to present a fair financial position, results of operations and cash flows.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the nine months period ended 30 September 2016
Expressed in Saudi Riyals

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The interim consolidated financial statements do not include all the information and disclosures required for the annual statutory financial statements which are prepared according to the standards issued by the Saudi Organization for Certified Public Accountants. The interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended December 31, 2015.

(b) Basis of measurement

These accompanying interim consolidated financial statements have been prepared under the historical cost basis, using the accrual basis of accounting and the going concern concept.

(c) Basis of consolidation

The interim consolidated financial statements comprise the interim financial statements of the parent company and its subsidiary as at December 31 each year. The financial statements of the subsidiary are prepared for the same reporting period as the Company.

1) Subsidiary

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim consolidated financial statements.

2) Acquisition of non-controlling interest

Non-controlling interest ("NCI") represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

(d) Functional and presentation currency

The interim consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the Group's presentation currency.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments

The preparation of the interim consolidated financial statements requires management to make some estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the interim consolidated financial statements that are included in the notes:

Impairment of trade accounts receivable

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

Impairment of slow moving inventories

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of period.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Group in preparing these interim consolidated financial statements are consistent with the policies used in preparing the consolidated financial statements for the year ended December 31, 2015 and interim consolidated financial statements for the comparative period. Significant accounting policies adopted by the Group for the preparation of these interim consolidated financial statements are as follows.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds –if any- readily convertible to cash and has a maturity of 3 months or less as at the original investment date, if any, which are available to the Company without any restrictions.

Trade receivable

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Bad debts are written off when identified, against their related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other expenditures are recognized in the interim consolidated statement of income when incurred. Depreciation is charged to the interim consolidated statement of income on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment.

Repair and maintenance expenditures are charged to the interim consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

Freehold land is not depreciated. The cost less estimated residual value of Property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets - effective from its date of purchase or construction. Paper products factory plant and equipment related to the subsidiary are depreciated using the units of production method.

The estimated useful lives of assets for the current and comparative period are as follows:

	<u>Years</u>
Factory buildings	25
Paper factory production buildings	30
Buildings and other constructions	40
Berth	20
Machinery and equipment	25
Paper production machinery and equipment	Production units
Vehicles and trucks	4 - 6.67
Furniture and other assets	4 - 6.67

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Further, upfront fees that were deducted in advance by the SIDF, is deferred and presented netting of the principle amount of the loan. Such deferred amount is amortized over the term of the loan using the straight line method which is not materially different from applying the prevailing interest rate). Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits, will be required to settle this obligation.

Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to interim consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services are terminated at the balance sheet date.

Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group,
- it can be reliably measured, regardless of when the payment is being made
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Sale of goods

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

Expenses

Selling and distribution expenses are those arising from the Company's efforts underlying the selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling and distribution and general and administrative expenses, when required, are made on consistent basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

The Company and its subsidiary are subject to zakat in accordance with the General Authority for Zakat and Tax (GAZT) rules and regulations. Zakat for the period is calculated based on an estimate and is represented as a separate line item in the interim consolidated statement of income. Additional zakat liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

Withholding tax

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations.

Translation of foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency of the Group at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to the functional currency of the Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the interim consolidated statement of income.

Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they were approved by the general assembly of shareholders.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

4. INVENTORIES

Inventories as at September 30 comprise the following:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Spare parts		365,555,261	371,217,095
Work-in-progress		287,878,405	258,775,880
Raw materials		33,638,527	41,022,742
Packing materials		5,242,615	7,749,522
Oil and fuel		11,391,868	6,328,251
Other materials		1,081,704	687,555
		<u>704,788,380</u>	<u>685,781,045</u>
Less: Provision for slow moving spare parts	4-1	<u>(132,950,300)</u>	<u>(126,955,353)</u>
		<u>571,838,080</u>	<u>558,825,692</u>

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

4. INVENTORIES (continued)

4-1 The movement in the provision for slow moving spare parts for the period ended September 30 is as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the period	127,252,374	118,997,860
Additions during the period	<u>5,697,926</u>	<u>7,957,493</u>
Balance at the end of the period	<u>132,950,300</u>	<u>126,955,353</u>

5. PROPERTY, PLANT AND EQUIPMENT

- a) All the property, plant and equipment related to the fifth production line with a net book value amounting to SR 1.74 billion are mortgaged to the Saudi industrial Development fund (SIDF) against the long term loan obtained from the Fund. (note 6)
- b) As at 30 September 2016, the capital work in progress amounted to SR 233,8 million is represented in the power plant project to generate power from wasted thermal energy and other service facilities for the plant.

6. CREDIT FACILITIES

a) **Bank credit facilities agreements**

The Group has credit facilities agreements with local commercial bank and other financial institutions for long and short term borrowings, letter of credits and guarantees and facilities amounting to SR 261 million (30 September 2015: SR 237,5 million). The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements.

b) **Long-term borrowing**

Long-term borrowing as at 30 September comprise the following:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Saudi Industrial Development Fund (SIDF)	6-1	130,416,000	187,524,000
National Commercial Bank loans	6-2	<u>110,749,000</u>	<u>40,000,000</u>
		<u>241,165,000</u>	<u>227,524,000</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the nine months period ended 30 September 2016
Expressed in Saudi Riyals

6. CREDIT FACILITIES (continued)

b) Long-term borrowing (continued)

Long-term borrowing are presented in the interim consolidated balance sheet as at 30 September as follows:

	<u>2016</u>	<u>2015</u>
Current portion presented under current liabilities	62,108,000	97,108,000
Non-current portion presented under non-current liabilities	<u>179,057,000</u>	<u>130,416,000</u>
	<u>241,165,000</u>	<u>227,524,000</u>

(6-1) Saudi Industrial Development Fund loan:

- On June 7, 2010, The Company obtained a loan from Saudi Industrial Development Fund (SIDF) to finance the construction of the fifth production line "the project". The total outstanding balance as of 30 September 2016 amounted to SR 135 million (2015: SR 195 million) from the total approved loan amount of SR 300 million out of which an amount of SR 22.5 million is deducted as industrial evaluation costs. The loan is repayable over 6 years in semiannual installments starting from 28 December 2012. The loan is secured by a mortgage of property, plant and equipment of the new project line. The loan agreement contains covenants and certain financial ratios to be maintained.
- Part of the industrial evaluation costs amounting to SR 4.9 million has been capitalized as a part of project cost which related to the period from obtaining the loan until the completion of the project on March 31, 2012. The remaining balance amounting to SR 17.6 million were classified as deferred financing costs and will be amortized over the loan period ending April 30, 2018, and thus. The portion which has been charged to the income statement for the period ended 30 September 2016 from these costs amounting to SR 2,169,000 (2015: SR 2,169,000).

The SIDF loan balance as at 30 September is represented as follows:

	<u>2016</u>	<u>2015</u>
Total loan	135,000,000	195,000,000
Less: Deferred finance charges	<u>(4,584,000)</u>	<u>(7,476,000)</u>
	<u>130,416,000</u>	<u>187,524,000</u>

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

6. CREDIT FACILITIES (continued)

(b) Long term borrowing (continued)

(6-2) National Commercial Bank loans:

- During the year 2011, the company obtained bank facilities amounting to SR 1.2 billion from National Commercial Bank to finance the construction of fifth production line with no guarantees. The loan was repayable over a period started on 31 March 2011 and ended on 1 March 2016 with an amount of SR 20 million on a monthly basis. During the year 2013, an amount of SR 80 million was paid as an early settlement of bank installments accordingly the last installment was paid on October 2015.
- During the year 2015, the company entered into new bank facilities agreements amounting to SR 250 million with the National Commercial Bank to finance the construction of power generating plant from wasted thermal energy project with no guarantees. The company utilized a portion of SR 110.7 million from the loan as of 30 September 2016 and will be paid by the end of the utilization period which is limited to 24 months from the date of the signing of the agreement and the actual completion of thermal energy project, on 60 monthly premium evenly and the due date for the latest installment 31 May 2022. the first installment is repayable after 2 years from the loan date. The total loan balance will be rescheduled for repayments after the completing the project and identifying the total utilized and used balance.
- Yanbu Saudi Kuwaiti Products Company (a Subsidiary) obtained bank facilities from the National Commercial Bank amounting to SR 13.5 million to cover its obligations against construction contractors and to finance local and foreign purchase of the equipment required. The loan is secured by a guarantee from the Parent Company (Yanbu Cement Company). The repayments of the installments stated on from 31 July 2011 by SR 281,319 monthly installment and the last installment was on 30 September 2015.

All the loans are bearing banks commissions based on agreed commercial rates.

Total maturities of borrowings as of September 30, 2016 as follow:

For the period ended as of September 30	<u>SR</u>
2016	29,277,000
2017	67,108,000
2018	34,031,000
	<u>130,416,000</u>

- The payment schedule of the National Commercial Bank (NCB) amounting to SR 110.7 million obtained to the thermal energy power plant was not yet agreed, and the bank will calculate the payment schedule after the project is completed and the total facility used in known.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

7. DIVIDENDS PAYABLE

The movement in the dividends payable during the nine months period ended 30 September is as follows:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Balance as of January 1		70,335,412	68,206,220
Dividends declared during the period	7-1	708,750,000	630,000,000
Dividends paid during the period		(705,581,690)	(627,426,462)
Balance as of September 30		73,503,722	70,779,758

- (7-1) The Ordinary General Assembly meeting number thirty five held on Sunday Jumada Al Thani 25, 1437H, corresponding to April 3, 2016, has approved to distribute dividends for the second half for the year 2015 amounting to SR 551.25 million (2015: SR 393.75 million) based on SR 3.5 for each share (2015: SR 2.5 for each share) as 35% of the Capital (2015: 25% of the capital) to be eligible to the shareholders registered in the Stock Exchanges (Tadawel) records at the end of trading day of the ordinary general assembly meeting date.

On June 22, 2016 the Board of Directors recommended to distribute half year dividends for the year 2016 by total amount of SR 157.5 million based on SR 1 for each share representing 10% of the capital to be eligible to the shareholders registered in the Stock Exchanges (Tadawel) records at the end of trading day August 1, 2016.

8. ZAKAT STATUS

Yanbu Cement Company (Joint Stock Company)

Zakat assessment has been finalized with the General Authority for Zakat and Income Tax (GAZT) till the year ended December 31, 2011. The Company has filed its Zakat returns for the years from 2012 to 2015. GAZT has made a field inspection for the years 2012 and 2013 and the Company is still waiting for the GAZT assessments.

Yanbu Saudi Kuwaiti Paper Products Company (Subsidiary)

Zakat assessment has been finalized with GAZT for the years up to December 31, 2008. The Company has filed its zakat returns for the years from December 31, 2009 until 2014. GAZT made a field inspection for these years resulted in claiming zakat differences by an amount of SR 689 thousand and differences for withholding tax by the amount of SR 264 thousand and delay penalties by the amount of SR 77 thousand. The Company has paid the withholding tax and the related penalties and filed an objection amounted to SR 645 and replied to the enquiries of GAZT in relation to specific matter. The Company received an updated assessment from GAZT on Rajab 7, 1437H corresponding to April 13, 2016 with differences of SR 357,224 which the subsidiary had also objected and filed an objection on June 19, 2016 and is still waiting for the reply from GAZT and the updated assessment.

The Company has filed its Zakat returns and paid Zakat for the year 2015 and still waiting for GAZT assessment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

9. EARNING PER SHARE

Earnings per share from income from operations and earnings per share from other income and earnings per share from net income for the three and nine months period ended 30 September 2016 are calculated based on the outstanding number of shares during the period amounting to 157.5 million shares (30 September 2015: 157.5 million shares).

10. CAPITAL COMMITMENTS AND CONTINGENCIES

- a) As of 30 September 2016 the capital commitments relating to projects under construction amounted to SR 62.7 million (30 September 2015: SR 215 million).
- b) As of 30 September 2016 the contingent liabilities against Banks letter of guarantees issued on behalf of the Group amounted to SR 20.1 million (30 September 2015: SR 10.1 million).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the company's interest rate risk by monitoring changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's financial current liabilities consist of the current portion of bank facilities, trade accounts payables, dividends payable and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Company expects to have adequate funds available to do so.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash and cash equivalents of the Group standing at the balance sheet date are placed with national banks with sound credit ratings. Trade receivables are mainly due from local customers, 87% as of 30 September 2016 (2015: 77%) of the Group's trade receivables are due from 5 main customers (2015: 5 customers). Trade receivables are stated at their estimated realizable values.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the period are in Saudi Riyal and US Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 30 September 2016

Expressed in Saudi Riyals

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables, dividends payables accrued expenses and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

12. SEGMENT INFORMATION

The Company has one operating segment representing in the production of Cement. Company's principal operations are only within the Kingdom of Saudi Arabia; therefore, financial information has not been segmented into various business or geographical segments. Subsidiary's financial information are not significant for Group financial statements for segment reporting purposes.

13. APPROVAL OF THE FINANCIAL STATEMENTS

These interim consolidated financial statements were approved for issuance by the Audit Committee on behalf of the Board of Directors on 17 Moharram 1438H, corresponding to 18 October 2016.