

**YANBU CEMENT COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**



**On Behave of Chief Financial Officer**



**Chief Executive Officer**

Yanbu Cement Company (A Saudi Joint Stock Company)  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
For the three-month period ended 31 March 2020

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**REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF  
YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Yanbu Cement Company (a Saudi Joint Stock Company) ("the Company" or "the Parent Company") and its subsidiary (collectively referred to as "the Group") as at 31 March 2020, and the related interim condensed consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA"). Our responsibility is to express a conclusion on these interim condensed consolidated 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 KSA. A review of interim financial statements consists of making inquiries, primarily to the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in KSA 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the KSA.

for Ernst & Young

Ahmed I. Reda  
Certified Public Accountant  
License No. 356

6 May 2020  
13 Ramadan 1441H

Jeddah



Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)

For the three-month period ended 31 March 2020

	Note	For the three-month period ended 31 March 2020 SR Unaudited	For the three-month period ended 31 March 2019 SR Unaudited
Revenue from contracts with customers	3	277,400,146	259,807,050
Cost of revenue		(166,351,042)	(167,127,368)
<b>GROSS PROFIT</b>		<b>111,049,104</b>	<b>92,679,682</b>
Selling and distribution expenses		(3,203,677)	(2,962,183)
General and administrative expenses		(10,045,507)	(8,513,897)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>97,799,920</b>	<b>81,203,602</b>
Loss on derivative instruments at fair value through income statement	15	(561,637)	(482,070)
Finance costs		(1,335,670)	(1,984,439)
Other income, net		416,481	217,240
Finance income		607,342	-
<b>INCOME BEFORE ZAKAT</b>		<b>96,926,436</b>	<b>78,954,333</b>
Zakat	5	(4,700,000)	(6,100,000)
<b>NET INCOME FOR THE PERIOD</b>		<b>92,226,436</b>	<b>72,854,333</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>92,226,436</b>	<b>72,854,333</b>
<i>Attributable to:</i>			
Shareholders of the Parent Company		92,017,528	72,517,655
Non-controlling interests		208,908	336,678
		<b>92,226,436</b>	<b>72,854,333</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share attributable to shareholders of the Parent Company	12	<b>0.58</b>	<b>0.46</b>

The attached notes 1 to 15 form an integral part of these unaudited interim condensed consolidated financial statements.

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)

As at 31 March 2020

	Note	31 March 2020 SR Unaudited	31 December 2019 SR Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	2,724,728,797	2,759,042,370
Intangible assets		2,801,270	3,201,452
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,727,530,067</b>	<b>2,762,243,822</b>
<b>CURRENT ASSETS</b>			
Inventories	8	565,363,890	563,957,102
Trade receivables	7	167,265,549	169,760,791
Prepayments, advances and other receivables		22,930,066	17,813,553
Cash and bank balances		299,978,108	176,751,996
<b>TOTAL CURRENT ASSETS</b>		<b>1,055,537,613</b>	<b>928,283,442</b>
<b>TOTAL ASSETS</b>		<b>3,783,067,680</b>	<b>3,690,527,264</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		1,575,000,000	1,575,000,000
Statutory reserve	10	787,500,000	787,500,000
Retained earnings		1,001,527,620	909,510,092
<b>TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>		<b>3,364,027,620</b>	<b>3,272,010,092</b>
Non-controlling interests		30,159,406	29,950,498
<b>TOTAL EQUITY</b>		<b>3,394,187,026</b>	<b>3,301,960,590</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	9	51,888,889	64,861,111
Employee benefits' liabilities		69,473,359	64,556,905
Other non-current liability		5,947,766	6,477,160
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>127,310,014</b>	<b>135,895,176</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		29,062,724	32,287,067
Financial derivatives		2,625,292	2,063,655
Current portion of term loans	9	51,888,889	51,888,889
Dividends payable		77,294,656	77,304,031
Accrued expenses and other current liabilities		79,908,648	73,037,425
Zakat payable	5	20,790,431	16,090,431
<b>TOTAL CURRENT LIABILITIES</b>		<b>261,570,640</b>	<b>252,671,498</b>
<b>TOTAL LIABILITIES</b>		<b>388,880,654</b>	<b>388,566,674</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,783,067,680</b>	<b>3,690,527,264</b>

The attached notes 1 to 15 form an integral part of these unaudited interim condensed consolidated financial statements.

Yanbu Cement Company (A Saudi Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
For the three-month period ended 31 March 2020

	<i>Attributable to equity holders of the parent</i>				<i>Non-controlling interests</i> SR	<i>Total equity</i> SR
	<i>Share Capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Total</i> SR		
As at 1 January 2020 (Audited)	1,575,000,000	787,500,000	909,510,092	3,272,010,092	29,950,498	3,301,960,590
Total comprehensive income for the period	-	-	92,017,528	92,017,528	208,908	92,226,436
<b>Balance at 31 March 2020 (Unaudited)</b>	<b>1,575,000,000</b>	<b>787,500,000</b>	<b>1,001,527,620</b>	<b>3,364,027,620</b>	<b>30,159,406</b>	<b>3,394,187,026</b>
	<i>Attributable to equity holders of the parent</i>				<i>Non-controlling interests</i> SR	<i>Total equity</i> SR
	<i>Share Capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Total</i> SR		
As at 1 January 2019 (Audited)	1,575,000,000	787,500,000	846,380,093	3,208,880,093	32,057,218	3,240,937,311
Total comprehensive income for the period	-	-	72,517,655	72,517,655	336,678	72,854,333
Dividends to non-controlling interests	-	-	-	-	(2,000,000)	(2,000,000)
<b>Balance at 31 March 2019 (Unaudited)</b>	<b>1,575,000,000</b>	<b>787,500,000</b>	<b>918,897,748</b>	<b>3,281,397,748</b>	<b>30,393,896</b>	<b>3,311,791,644</b>




The attached notes 1 to 15 form an integral part of these unaudited interim condensed consolidated financial statements.

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2020

	Note	<i>For the three-month period ended 31 March 2020</i> SR <i>Unaudited</i>	<i>For the three-month period ended 31 March 2019</i> SR <i>Unaudited</i>
<b>OPERATING ACTIVITIES</b>			
Income before zakat		96,926,436	78,954,333
<i>Adjustment to reconcile operating income to net cash flows:</i>			
Depreciation of property, plant and equipment	6	47,519,460	48,665,018
Amortization for intangible assets		400,182	400,181
Finance costs		1,335,670	1,984,439
Loss on derivative instruments at fair value through income statement		561,637	482,070
Provision for employee benefits' liabilities		5,349,573	2,143,613
		<u>152,092,958</u>	<u>132,629,654</u>
<i>Working capital changes:</i>			
Trade receivables		2,495,242	(4,755,113)
Inventories		(1,406,788)	22,479,785
Prepayments, advances and other receivables		(5,116,513)	(3,457,125)
Trade payables		(3,224,343)	(9,938,462)
Accrued expenses and other current liabilities		6,261,223	5,845,064
		<u>151,101,779</u>	<u>142,803,803</u>
Employee benefits' liabilities paid		(433,119)	(856,651)
Finance costs paid		(1,255,064)	(1,892,295)
		<u>149,413,596</u>	<u>140,054,857</u>
<b>INVESTING ACTIVITY</b>			
Purchase of property, plant and equipment	6	(13,205,887)	(14,649,987)
		<u>(13,205,887)</u>	<u>(14,649,987)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loans		(12,972,222)	(12,972,222)
Net movement of short-term borrowings		-	(55,039,089)
Dividends paid to equity holders of the parent		(9,375)	-
		<u>(12,981,597)</u>	<u>(68,011,311)</u>
<b>INCREASE IN CASH AND BANK BALANCES</b>			
		<u>123,226,112</u>	<u>57,393,559</u>
Cash and bank balances at the beginning of the period		176,751,996	51,453,074
<b>CASH AND BANK BALANCES AT THE END OF THE PERIOD</b>			
		<u>299,978,108</u>	<u>108,846,633</u>
<b>MAJOR NON-CASH TRANSACTIONS:</b>			
Right-of-use asset and lease liabilities	6(b)	-	7,153,653
Dividend payable to non-controlling interests		-	2,000,000
		<u>-</u>	<u>9,153,653</u>

The attached notes 1 to 15 form an integral part of these unaudited interim condensed consolidated financial statements.

## 1. CORPORATE INFORMATION

Yanbu Cement Company (“the Company” or “the Parent Company”) - a Saudi Joint Stock Company – established in accordance with Company’s regulations in the Kingdom of Saudi Arabia by the Royal Decree No. M/10 dated on 4 Rabi' I 1397H (corresponding to 22 February 1977) and it is registered in Yanbu city under commercial registration No. 470000233 dated on 21 Dhul-Qi'dah 1398H (corresponding to 24 October 1978). The Company’s shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The Company’s capital is SR 1,575 million which is divided into 157,500,000 shares of SR 10 per share as at 31 March 2020 and 31 December 2019.

The Company is mainly engaged in manufacturing, producing and trading in cement and its related products as per industrial license No. 2239 issued on 10 Sha'ban 1439H (corresponding to 26 April 2018) which ends on 10 Sha'ban 1442H (corresponding to 23 March 2021).

The registered address of the Company is Yanbu Cement building located at Al Baghdadiyah Al Gharbiyah District, P. O. Box 5530, Jeddah 21422, Kingdom of Saudi Arabia. The Company has branches in Jeddah and Madina with commercial registration numbers 4030021367 and 4650020461 respectively.

The interim condensed consolidated financial statements consist of interim financial statements of the Parent Company and Yanbu Saudi Kuwaiti Paper Products (“Subsidiary”) – A Limited Liability Company – owned to the Parent Company by 60% (collectively referred to as the “Group”). The subsidiary is engaged in producing paper sack bags as per industrial license No. 1210 issued on 22 Sha'ban 1425H (corresponding to 7 October 2004) which ends on 26 Jumada I 1442H (corresponding to 10 January 2021).

These interim condensed consolidated financial statements for the Group for the three-month period ended 31 March 2020, were approved by the Board of Directors on 6 May 2020 (corresponding to OS Ramadan 1441H).

## 2. SIGNIFICANT ACCOUNTING POLICES

### 2.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three-month period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” “IAS 34” as endorsed in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019. In addition, results for the interim period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020 (refer to note 2.2 below).

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial derivatives that have been measured at fair value and for employee benefits’ liabilities, where actuarial present value calculations are used. The interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”), which is the functional and presentational currency of the Group.

### 2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group’s interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Group’s management to revisit its significant judgments in applying the Group’s accounting policies and the methods of computation and the key sources of estimation applied to the annual consolidated financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group’s management carried out an impact assessment on the overall Group’s operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.



At 31 March 2020

**2. SIGNIFICANT ACCOUNTING POLICES (continued)****2.3 New standards, interpretations and amendments adopted by the Group**

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

***Amendments to IFRS 3: Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

***Amendments to IAS 1 and IAS 8: Definition of Material***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

**3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Group's revenue from contracts with customers is described below:

	<i>For the three-month period ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Bulk cement	<b>162,945,686</b>	110,949,399
Packed cement	<b>78,515,589</b>	66,328,497
Cement bags	<b>15,965,735</b>	13,229,623
Raw cement (clinker)	<b>19,973,136</b>	69,299,531
Total revenue from contracts with customers	<b>277,400,146</b>	259,807,050
Total revenue from contracts with customers inside the Kingdom of Saudi Arabia	<b>248,542,463</b>	178,023,481
Total revenue from contracts with customers outside the Kingdom of Saudi Arabia	<b>28,857,683</b>	81,783,569

Yanbu Cement Company (A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
At 31 March 2020

**4. SEGMENT INFORMATION**

The Group is engaged in one operating segment engaged in manufacturing cement and operates completely within the Kingdom of Saudi Arabia. Accordingly, the financial information was not divided into different geographic or business segments. The financial information of the subsidiary is not significant to Group's interim condensed consolidated financial statements for the purpose of segment information.

**5. ZAKAT**

The movement in Zakat payable on the Group was as follows:

	<i>31 March 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
Balance at beginning of the period /year	16,090,431	8,914,421
Provided during the period/year	4,700,000	19,098,803
Paid during the period /year	-	(11,922,793)
Balance at the end of the period /year	<u>20,790,431</u>	<u>16,090,431</u>

Zakat was calculated for the period ended 31 March 2020 in accordance with the management's estimates, which may not represent an accurate indication about zakat for the year ending 31 December 2020.

**Status of assessments**

**Parent Company:**

Zakat assessment has been finalized with the General Authority for Zakat and Tax ("GAZT") up to the year ended 31 December 2011. The Parent Company has received an assessment for the year 2012 and 2013 with an additional zakat liability and withholding tax liability amounting to SR 506 thousand and SR 257 thousand, respectively. The Parent Company appealed against this assessment and the Parent Company's appeal was accepted and resulted in credit favorable to the Parent Company regarding zakat and withholding tax amounting to SR 386 thousand and SR 377 thousand respectively. The Parent Company has submitted Zakat declarations for the years 2014 to 2018.

**Subsidiary:**

The subsidiary has submitted its zakat returns with the GAZT for the years up to 31 December 2018 and paid the zakat liabilities for those years due as per return. Zakat assessment for the previous years up to 31 December 2016 have been finalized. The subsidiary has received an assessment for the year 2017 with an additional zakat liability amounting to SR 207,080 and has filled an objection against that assessment.

**6. PROPERTY, PLANT AND EQUIPMENT**

For purpose of preparing the interim condensed consolidated statement of cash flows, movement in property, plant and equipment during the three months period ended 31 March is as follows:

	<i>For the three months period ended 31 March</i>	
	<i>2020 SR Unaudited</i>	<i>2019 SR Unaudited</i>
Depreciation	47,519,460	48,665,018
Addition to property, plant and equipment (b)	13,205,887	21,803,640

- a) The plants are situated on land leased from the Deputy Ministry for Mineral Resources, of Ras Baridi in Yanbu, for 30 Hijra years commencing 4 Rabi' I 1398H (corresponding to 12 February 1978). The lease has been renewed for a similar period for 30 years on 3 Rabi' I 1428H (corresponding to 22 March 2007). The lease is renewable for further similar periods subject to the agreement of both parties.
- b) During the three-month period ended 31 March 2019, included in the addition to property, plant and equipment an amount of SR 7,153,653 recorded as right-of use asset on adoption of IFRS 16 at the date of initial application i.e 1 January 2019.

Yanbu Cement Company (A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2020

7. TRADE RECEIVABLES

	<i>31 March 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
Gross Trade receivables	170,123,975	172,619,217
Allowance for expected credit losses	(2,858,426)	(2,858,426)
	<u>167,265,549</u>	<u>169,760,791</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

8. INVENTORIES

Inventories as at 31 March 2020 and 31 December 2019 comprised of the following:

	<i>31 March 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
Work in process	341,012,826	341,830,436
Spare parts, net (note below)	188,990,605	186,172,853
Raw materials	17,998,798	15,422,007
Fuel	15,689,926	18,561,439
Packaging materials	963,818	1,151,088
Other materials	707,917	819,279
	<u>565,363,890</u>	<u>563,957,102</u>

As at 31 March 2020, the Group maintains provision against slow moving parts amounting to SR 102.4 million (31 December 2019: SR 102.4 million).

9. TERM LOANS

The outstanding term loans as at the statement of financial position are as follows:

	<i>31 March 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
National Commercial Bank loan	103,777,778	116,750,000
The current portion	(51,888,889)	(51,888,889)
The non-current portion	<u>51,888,889</u>	<u>64,861,111</u>

During 2015, the Parent Company has entered into new bank facilities contracts amounting to SR 250 million with the National Commercial Bank (“NCB”) to finance the construction of power generating plant from waste thermal energy project. The loan balance has been fully utilized as at 31 December 2017. The loan will be settled on monthly installments amounting to SR 4.32 million each which ends in April 2022. The loan is subject to interest costs as per prevailing Saudi rates (“SIBOR”) plus fixed commission rate. The power generating plant from waste thermal energy project was mortgaged completely as a guarantee to NCB.

## Yanbu Cement Company (A Saudi Joint Stock Company)

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2020

#### 10. STATUTORY RESERVE

In accordance with the Parent Company's By-laws, the Parent Company is required to transfer at least 10% of net income to the statutory reserve. The Parent Company may cease such transfers when the statutory reserve equals 30% of the capital. This having been achieved in previous years, the Parent Company resolved to discontinue such transfers. This reserve is not available for distribution.

#### 11. DIVIDENDS

On 5 March 2020 (corresponding to 10 Rajab 1441H), the Board of Directors of the Parent Company, recommended to the General Assembly a distribution of cash dividend amounting to SR 196.88 million (SR 1.25 per share) for the second half of the year 2019 which represents 12.5% of the nominal value of the shares. Subject to the approval of the General Assembly, the eligibility for this dividend distribution will be to shareholders listed on the Tadawul by the end of trading day of the General Assembly meeting.

#### 12. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the income for the period attributable to equity holders in the Parent Company by the weighted average number of ordinary shares which are 157.5 million shares.

The table below reflects the details of the net income for the period and the number of shares used in calculating basic and diluted earnings per share:

	<i>For the three months period ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Income for the period attributable to ordinary equity holders of the Parent Company (SR' 000)	<b>92,018</b>	72,518
Weighted average number of outstanding ordinary shares (000' shares)	<b>157,500</b>	157,500
Basic and diluted earnings per share attributable to shares holders of the Parent Company (Saudi Riyals)	<b>0.58</b>	0.46

There has been no item of dilution affecting the weighted average number of ordinary shares.

#### 13. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 March 2020, the capital commitments related to projects under construction is amounting to SR 30.1 million (31 December 2019: SR 49.4 million).

As at 31 March 2020, the contingencies against bank letter of guarantees issued on behalf of the Group is amounting to SR 32.2million (31 December 2019: SR 8.1 million).

As at 31 March 2020, the Group has bank letter of credits issued amounting to SR 3.7 million (31 December 2019: SR 3.7 million) issued from bank in the Kingdom of Saudi Arabia.

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(UNAUDITED) (continued)

At 31 March 2020

**14. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major related parties' transactions during the three-month period ended 31 March 2020:

- Allowances and compensation of the Board of Directors and senior executives

The Group's senior management includes key management personnel and executives, Board of directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.

Board of Directors and committees' compensation charged and accrued during the three-month period ended 31 March 2020 amounting to SR 0.92 million (31 March 2019: SR 1.06 million).

Key management personnel compensation comprised the following:

	<i>For the three-month period ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Short term employee benefits	1,006,713	1,226,500
Post-employment benefits	89,801	110,041
	<u>1,096,514</u>	<u>1,336,541</u>

**15. FAIR VALUE MEASUREMENT**

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	<i>Date of valuation</i>	<i>Total</i>	<b>Fair value measurement using</b>		
			<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>Liabilities measured at fair value</i>		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Financial derivatives	<i>31 March 2020 (Unaudited)</i>	<u>2,625,292</u>	<u>-</u>	<u>2,625,292</u>	<u>-</u>

Yanbu Cement Company (A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

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15. FAIR VALUE MEASUREMENT (continued)

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Liabilities measured at fair value</i>		SR	SR	SR	SR
Financial derivatives	31 December 2019 (Audited)	2,063,655	-	2,063,655	-

The Group enters into derivative financial instrument principally with financial institutions having investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

As at 31 March 2020 and 31 December 2019, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. Fair value of trade receivables as at 31 March 2020 and 31 December 2019 is carrying amount because of short term nature of the balance.

Fair values of the Group's borrowings are determined by using Discounted Cash Flows (DCF) method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 March 2020 and 31 December 2019, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the three months period ended 31 March 2020 and year ended 31 December 2019, there were no movements between the levels.