

## Umm Al-Qura Cement Company Prospectus

The Offering of 27,500,000 Ordinary Shares representing 50% of Umm Al-Qura Cement Company (following subscription) through an Initial Public Offering at an Offer Price of SAR 10 per share

A Saudi joint stock company incorporated pursuant to the Ministerial Resolution No. 214/Q, dated 25/08/1434H (corresponding to 04/07/2013G) with Commercial Registration No. 1010382514, dated 28/08/1434H (corresponding to 07/07/2013G).

Offer Period: from Tuesday 29/6/1435H (corresponding to 29/4/2014G) to 6/7/1435H (corresponding to 5/5/2014G)

Umm Al-Qura Cement Company ("UACC" or the "Company") was incorporated as a Saudi joint stock company pursuant to Ministerial Resolution No. 214/Q, dated 25/08/1434H (corresponding to 04/07/2013G) with Commercial Registration number 1010382514 issued on 28/08/1434H (corresponding to 07/07/2013G) with a Share Capital of SAR 275,000,000 (two hundred and seventy five million Saudi Riyals) divided into 27,500,000 (twenty seven million and five hundred) Ordinary Shares with a nominal value of SAR 10 (ten Saudi Riyals) per Share (each a "Share" and collectively the "Shares"). Pursuant to the Company's By-Laws and Articles of Incorporation and according to the conditions of the license granted by the Ministry of Petroleum and Mineral Resources (MPMR), the Extra-Ordinary General Assembly adopted a resolution on 25/04/1435H (corresponding to 25/02/2014G) to increase the Company's Share Capital by SAR 275,000,000 (two hundred and seventy five million Saudi Riyals) representing 50% of the Company's Share Capital (after Offering), thus increasing the Company's Share Capital to SAR 550,000,000 (five hundred and fifty million Saudi Riyals) divided into 55,000,000 (fifty five million) Ordinary Shares, with a nominal value of SAR 10 (ten Saudi Riyals) each. The Founding Shareholders have waived their preemptive right to subscribe to the new shares and none of them will exercise their right in subscribing in the capital increase.

The Offering includes 27,500,000 (twenty seven million and five hundred) Shares (each an "Offer Share and collectively the "Offer Shares") with a nominal value of SAR 10 (ten Saudi Riyals) each, representing 50% of the issued Share Capital of the Company (after Offering). The Offering is directed at and may only be accepted from Individual Investors who are Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband and who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit (each an "Individual Investor" and collectively "Individual Investors"). Subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases the relevant regulations shall be enforced against that person. The proceeds from the Offering after deducting related expenses (Please refer to "Subscription Fees and Expenses" section) ("Net Proceeds") will be used to finance the Company's business to establish a cement plant (please refer to the "Use of Proceeds" section).

Prior to this Offering, the Company's 55-Founding Shareholders whose names are listed in pages (51 and 52) of this Prospectus (Please see "Founding Shareholders" section), (collectively referred to as "Founding Shareholders"), subscribed to twenty seven million five hundred thousand (27,500,000) Shares, representing (50%) fifty percent of the Share Capital (after the IPO), the value of which was paid entirely in cash. The Offering has been fully underwritten (please see "Underwriting" section). The Founding Shareholders is subject to a lock-in period during which they are restricted from disposing of their shares for a period of (\*\*) starting from the date of listing of the Company on the Exchange or upon the commercial production of the plant, whichever comes later. After the expiration of the Lock-in period, the Founding Shareholders may dispose of their shares subject to the prior approval of CMA.

The Offering will commence on 29/6/1435H (corresponding to 29/4/2014G) and will remain open for a period of seven (7) days up to and including 6/7/1435H (corresponding to 5/5/2014G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of the Selling Agents (the "Selling Agents") listed on page (\*\*) during the Offering Period (please refer to the "Key Dates for Investors and Subscription Procedure" section).

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of fifty (50) Offer Shares. The maximum number of Offer Shares for which a Subscriber may apply for is two hundred thousand (200,000). The minimum allocation per Subscriber is fifty (50) Offer Shares, and the balance of the Offer Shares (if any) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds fifty five hundred thousand (550,000), the Company can not guarantee the minimum allocation of fifty (50) Offer Shares per Individual Investor, and the Offer Shares will be allocated equally between all Subscribers. Excess subscription monies, if any, will be refunded to the Subscribers by the Selling Agents without any charge or withholding. Notification of the final allotment and refund of excess subscription monies, if any, will be made by 12/7/1435H (corresponding to 11/5/2014G) (please refer to the "Subscription Terms and Conditions" section)

The Company has one class of shares which does not carry any preferential voting rights. Each Share entitles the holder (a "Shareholder") to one vote, and each Shareholder holding at least twenty (20) Shares has the right to attend and vote at a General Assembly. No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared by the Company after the completion of the Offering Period and during subsequent fiscal years (please refer to the "Dividends" section).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the Capital Markets Authority ("CMA") for the Registration and Admission to Listing and to trade on the Exchange, all supporting documents required by the CMA have been supplied, and all relevant approvals pertaining to this Offering of Shares have been granted. (Please refer to the "Subscription Terms and Conditions", the paragraph entitles "resolutions and approvals pursuant to which the shares are being offered"). Trading in the Offer Shares is expected to commence on the Saudi Stock Exchange (the "Exchange" or "Tadawul") shortly after the final allocation of the Offer Shares and fulfillment of all of the relevant regulatory requirements (please refer to the "Key Dates for Investors" section). Following admission of the Shares to the Official List, Saudi nationals, non-Saudi individuals having a valid Iqama (residence visa) in the KSA, foreign investors through swap agreements, nationals of other GCC countries, companies, banks and funds will be permitted to trade in the Shares on Tadawul.

The "Important Notice" and "Risk Factors" Sections of this Prospectus should be considered carefully by the prospective investors prior to making a decision to invest in the Offer Shares

Financial Advisor, Lead Manager and Underwriter

الرياض المالية  
riyad capital

Selling Agents



This Prospectus includes details given in compliance with the listing rules of the Capital Market Authority of Saudi Arabia ("CMA"). Directors whose names appear on page (c) of this Prospectus collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. CMA and the Saudi Arabian Stock Exchange (Tadawul) take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim whatsoever for any loss arising from or incurred in reliance upon any part of this document

This Prospectus is issued on 28/6/1435H (corresponding to 28/4/2014G)

**This Prospectus is an English translation of the official Arabic Prospectus. In case of any differences between the two, the Arabic version shall prevail.**



## Important Notice

This Prospectus contains detailed information relating to Umm Al-Qura Cement Company and the Offer Shares. When applying for the Offer Shares, Subscribers will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, Lead Manager, Selling Agents or by visiting the websites of the CMA ([www.cma.org.sa](http://www.cma.org.sa)), Lead Manager's website ([www.riyadcapital.com](http://www.riyadcapital.com)) or the Company's website ([www.uacc-ksa.com](http://www.uacc-ksa.com)).

The Company has appointed Riyad Capital ("Riyad Capital") to act as Financial Advisor ("Financial Advisor"), Lead Manager ("Lead Manager") and Underwriter ("Underwriter") in relation to the Offer Shares described herein.

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority. The Directors, whose names appear on page (c) of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein is derived from external sources as well as from public sources of information, and while neither the Riyad Capital nor the Company or its advisors have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been verified by the Company, and no representation is made by the Company with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors over which the Company has no control. Neither the delivery of this Prospectus nor any oral or written communication in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

## Targeted Subscribers

The Offering is directed at and is limited to Saudi Arabian natural persons including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid.

The distribution of this Prospectus and the sale of the Offer Shares in any jurisdiction other than the Kingdom Saudi Arabia are expressly prohibited. The Company, the Financial Advisor and the Current Shareholders require recipients of this Prospectus to inform themselves of any regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to observe all such restrictions.

## Industry and Market Data

The information contained in “Information on the Market and Industry” section in this Prospectus, has been extracted from the market study prepared by Holtec Consultant Private Limited (“The Market and Geological Study Consultant”) in May 2013G, in addition to the geological study prepared during July 2013G, at the Company’s request. Holtec is an independent consulting firm founded in 1967G and received an ISO certificate to provide consultancy services for cement sector worldwide. It also provides market and industry studies and considered to be an international consulting firm in various disciplines of engineering, with its headquarters in Gurgaon, India. Holtec enjoys experience in the cement industry in particular, where it provided many consulting services for cement companies. Further, some information was excerpted from the forty-ninth annual report of the Saudi Arabian Monetary Agency, as well as from the website of the Ministry of Economy and Planning and the National Portal of Electronic Transactions.

Neither the Market and Geological Studies Consultant, nor any of its affiliates, shareholders, directors or their relatives hold any shareholding or any interest in the Company. The Market and Geological Studies Consultant has given and not withdrawn its written consent to the use of the information supplied by it to the Company in the manner and format set out in this Prospectus.

## Financial Information

The Company’s financial statements for the period from association on 3 July 2013G up to 31 December 2013G along with the notes thereto, which are incorporated elsewhere in the Prospectus, have been audited by the certified public accountant (Al Hoshan Certified Public Accountants). Such statement were prepared in conformity with the accounting principles issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). The Company publishes its financial statements in Saudi Arabian Riyals.

## Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute “forward-looking statements”. Such statements can generally be identified by their use of forward-looking words such as “plans”, “estimates”, “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “expected”, “would be”, or the negative thereof or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and the Company’s management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to “Risk Factors” section in this Prospectus). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before the Registration and Admission to Listing and to trade on the Exchange, the Company becomes aware that (i) there has been a significant change in any material information contained in the Prospectus or any document required by the Listing Rules, or (ii) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward looking statements.

## Corporate Directory

### Board Members

**Table (1): Board Members**

S	Name	Representation	Post	Capacity	Nationality	Age	Direct Ownership (%)		Indirect Ownership (%) before Offering	
							No of Shares	Ownership %	No of Shares	Ownership %
1	Abdulaziz Omran Al Omran	Abdulaziz Omran Al Omran and Partners Company	Chairman of the Board	Non-Executive/ Non-Independent	Saudi	49	-	-	1,886,027	6.86%
2	Abdullah Abdulaziz Al Abdullatif	-	Board Member	Non-Executive/ Independent	Saudi	33	370,000	1.35%	-	-
3	Saleh Ibraheem Al Khulaifi	-	Board Member	Non-Executive/ Independent	Saudi	56	-	-	-	-
4	Saud Mohammad Al Sabhan	-	Board Member	Non-Executive/ Independent	Saudi	41	-	-	-	-
5	Fawaz Hamad Al Fawaz	-	Board Member	Non-Executive/ Independent	Saudi	57	-	-	-	-
6	Ahmad Said Al-Ay	-	Board Member	Non-Executive/ Independent	Saudi	58	254,469	0.93%	382,258	%1.39

Source: the Company

Note: the above percentages are rounded up

#### Name & Address of the Company

Umm Al-Qura Cement Company  
Solyamaniya District, Tahlia Street  
P.O. Box 10182, Riyadh 11433  
Tel: +966-(11)-2884484  
Fax: +966-(11)-2011337  
Website: www.uacc-ksa.com  
E-mail: info@uacc-ksa.com



#### Approved Company Representatives with CMA

Abdulaziz Omran Al-Omran  
Chairman of the Board of Director  
Umm Al-Qura Cement Company  
Solyamaniya District, Tahlia Street  
P.O. Box 10182, Riyadh 11433  
Tel: +966-(11)-2884484  
Fax: +966-(11)-2011337  
E-mail: azomran@uacc-ksa.com

Fawaz Saleh Al-Mutairi  
General Manager and Board Secretary  
Umm Al-Qura Cement Company  
Solyamaniya District, Tahlia Street  
P.O. Box 10182, Riyadh 11433  
Tel: +966-(11)-2884484  
Fax: +966-(11)-2011337  
E-mail: fawaz@uacc-ksa.com

#### Board of Directors' Secretary

Fawaz Saleh Al-Mutairi  
General Manager and Board Secretary  
Umm Al-Qura Cement Company  
P.O. Box 10182, Riyadh 11433  
Tel: +966-(11)-2884484  
Fax: +966-(11)-2011337  
E-mail: fawaz@uacc-ksa.com

#### Shareholders Relations Officer

Atef Mohamad Shalabi Al-Juhari  
General Manager and Board Secretary  
Umm Al-Qura Cement Company  
P.O. Box 10182, Riyadh 11433  
Tel: +966-(11)-2884484  
Fax: +966-(11)-2011337  
E-mail: atef@uacc-ksa.com

## Share Registrar



Saudi Stock Exchange (Tadawul)  
Abraj Attuwenya  
King Fahad Road  
P.O. Box 60612, Riyadh 11555  
Kingdom of Saudi Arabia  
Tel: + 966 11 218 9999  
Fax: + 966 11 218 9090  
Website: [www.tadawul.com.sa](http://www.tadawul.com.sa)  
Email: [webinfo@tadawul.com.sa](mailto:webinfo@tadawul.com.sa)

## Principal Commercial Banking Relationships



Riyad Bank  
King Abdulaziz Road  
PO Box 22622, Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 (11) 401 3030  
Fax: +966 (11) 404 2618  
website: [www.riyadbank.com](http://www.riyadbank.com)  
e-mail: [customer care@riyadbank.com](mailto:customer care@riyadbank.com)



Bank Albilad  
Salahuldin Road  
PO Box 140, Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4798888  
Fax: +966 (11) 4798898  
website: [www.bankalbilad.com](http://www.bankalbilad.com)  
e-mail: [info@bankalbilad.com.sa](mailto:info@bankalbilad.com.sa)



Banque Saudi Fransi  
Al-Ma'ather Road  
P.O. Box 56006, Riyadh 11554  
Kingdom of Saudi Arabia  
Tel: +966 (11) 289999  
Fax: +966 (11) 4042311  
website: [www.alfransi.com.sa](http://www.alfransi.com.sa)  
e-mail: [communications@alfransa.com.sa](mailto:communications@alfransa.com.sa)

Financial Advisor, Lead Manager and Underwriter



Riyadh Capital  
Al Takhassusi Street, Prestige Center  
P.O. Box 21116, Riyadh 11475  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4865649  
Fax: +966 (11) 4865908  
website: [www.riyadcapital.com](http://www.riyadcapital.com)  
e-mail: [projecthaden@riyadcapital.com](mailto:projecthaden@riyadcapital.com)

Legal Advisor



Al Fahad Law (AbdulazizHamad Al Fahad Office)  
Olaya Street  
PO Box 15870, Riyadh 11454  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4648081  
Fax: +966 (11) 4624968  
website: [www.fahadlaw.com](http://www.fahadlaw.com)  
e-mail: [ahabardi@fahadlaw.com](mailto:ahabardi@fahadlaw.com)

Legal Accountant



Al Hoshan Certified Public Accountants and Auditors  
Olaya Street  
PO Box 52654, Riyadh 11573  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4649166  
Fax: +966 (11) 4632083  
website: [www.alhoshan.com](http://www.alhoshan.com)  
e-mail: [info@alhoshan.com](mailto:info@alhoshan.com)

Financial Due Diligence Consultant



Ernest & Young and Co. (Certified Public Accountants)  
Al Faisaliya Tower, King Fahd Road  
PO Box 2732, Riyadh 11461  
Kingdom of Saudi Arabia  
Tel: +966 (11) 2734740  
Fax: +966 (11) 2734730  
website: [www.ey.com](http://www.ey.com)  
e-mail: [riyadh@sa.ey.com](mailto:riyadh@sa.ey.com)



Market and Geological Studie Consultant



Holtec Consulting Pvt. Ltd.  
A Block, Soushant Look  
Gurgaon, India  
Tel. +910-12-4-238 5093  
Fax: +910-12-4-238 5114  
Website: [www.holtecnet.com](http://www.holtecnet.com)  
e-mail: [pas@holtecnet.com](mailto:pas@holtecnet.com)

Media and Advertising Consultant



ADVERT ONE  
Shawaf International Company  
Safwa Center, Sulaymania  
PO Box 43307, Riyadh 11561  
Kingdom of Saudi Arabia  
Tel: +966 (11) 288 6632  
Fax: +966 (11) 288 6631  
website: [www.advert1.com](http://www.advert1.com)  
e-mail: [info@advert1.com](mailto:info@advert1.com)

Note: The Financial Advisor, Lead Manager and Underwriter, Legal Advisor, Legal Accountant, Financial Due Diligence Consultant, Market and Geological Studies Consultant, Media and Advertising Consultant have given and not withdrawn their written consent to the publication of their names and logos in this Prospectus. Furthermore, each of the Legal Accountant and Market and Geological Studies Consultant have given and not withdrawn their written consent to the inclusion of the statements attributed to each of them in the context in which they appear in this Prospectus. None of the advisors themselves, nor their employees or their relatives have any shareholding or interest of any kind in the Company.

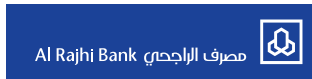
## Selling Agents



Riyad Bank  
King Abdulaziz Road  
P.O. Box 22622, Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4013030  
Fax: +966 (11) 4042618  
website: [www.riyadbank.com](http://www.riyadbank.com)  
e-mail: [customercare@riyadbank.com](mailto:customercare@riyadbank.com)



National Commercial Bank  
King Abdulaziz Road  
P.O. Box 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966 (12) 6493333  
Fax: +966 (12) 6437426  
website: [www.alahli.com](http://www.alahli.com)  
e-mail: [contactus@alahli.com](mailto:contactus@alahli.com)



Al Rajhi Bank  
Olaya Street  
P.O. Box 28, Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 (11) 2116000  
Fax: +966 (11) 4600705  
website: [www.alrajhibank.com.sa](http://www.alrajhibank.com.sa)  
e-mail: [contactcenter1@alrajhibank.com](mailto:contactcenter1@alrajhibank.com)



Banque Saudi Fransi  
Ma'ather Road  
P.O. Box 56006, Riyadh 11554  
Kingdom of Saudi Arabia  
Tel: +966 (11) 289999  
Fax: +966 (11) 4042311  
website: [www.alfransi.com.sa](http://www.alfransi.com.sa)  
e-mail: [communications@alfransa.com.sa](mailto:communications@alfransa.com.sa)



The Saudi Investment Bank  
Ma'ather Road  
P.O. Box 3533, Riyadh 11481  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4786000  
Fax: +966 (11) 4776781  
website: [www.saib.com.sa](http://www.saib.com.sa)  
e-mail: [ir@saib.com.sa](mailto:ir@saib.com.sa)



## Offering Summary

The objective of this Summary is to provide a brief and general overview of the Offering detailed information which may be found in the Prospectus. The Summary does not contain all information to be considered prior to making a decision to invest in the Company's Shares. Therefore, each recipient of this Prospectus is responsible for reading the "Risk Factors" and "Important Notice" section as well as the entire Prospectus thoroughly prior to making an investment decision and not to rely solely on this Summary.

The Company	Umm Al-Qura Cement Company was incorporated in Riyadh, Saudi Arabia, pursuant to Ministerial Resolution No. 214/Q, dated 25/08/1434H (corresponding to 04/07/2013G) with Commercial Registration number 1010382514 issued on 28/08/1434H (corresponding to 07/07/2013G).																													
The Company's Activities	Production of all kinds of Portland Cement pursuant to the Industrial License No. (Q2), dated 01/01/1433H and production of all kinds of White Cement pursuant to the Industrial License No. (Q1), dated 01/01/1433H, in addition of managing and operating Portland and White Cement plant, perform general contracting works for buildings, installation, electrical and mechanical works.																													
Key Shareholders	<p>The following table shows the direct ownerships of the key shareholders:</p> <table border="1"> <thead> <tr> <th rowspan="2">Shareholder's Name</th> <th colspan="2">Pre-Offering</th> <th colspan="2">Post-Offering</th> </tr> <tr> <th>No of Shares</th> <th>Ownership %</th> <th>No of Shares</th> <th>Ownership %</th> </tr> </thead> <tbody> <tr> <td>Villa International Projects Trading Company</td> <td>5,135,000</td> <td>18.67</td> <td>5,135,000</td> <td>9.34</td> </tr> <tr> <td>Abdulaziz Omran Al Omran and Partners Company</td> <td>2,514,703</td> <td>9.14</td> <td>2,514,703</td> <td>4.57</td> </tr> <tr> <td>Hamad Ibraheem Hamad Al Abdullatif</td> <td>2,085,000</td> <td>7.58</td> <td>2,085,000</td> <td>3.79</td> </tr> <tr> <td>Al Mada Al Awal Holding Company</td> <td>1,500,000</td> <td>5.45</td> <td>1,500,000</td> <td>2.73</td> </tr> </tbody> </table> <p>Source: The Company Note: the above percentages are rounded</p>	Shareholder's Name	Pre-Offering		Post-Offering		No of Shares	Ownership %	No of Shares	Ownership %	Villa International Projects Trading Company	5,135,000	18.67	5,135,000	9.34	Abdulaziz Omran Al Omran and Partners Company	2,514,703	9.14	2,514,703	4.57	Hamad Ibraheem Hamad Al Abdullatif	2,085,000	7.58	2,085,000	3.79	Al Mada Al Awal Holding Company	1,500,000	5.45	1,500,000	2.73
Shareholder's Name	Pre-Offering		Post-Offering																											
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Villa International Projects Trading Company	5,135,000	18.67	5,135,000	9.34																										
Abdulaziz Omran Al Omran and Partners Company	2,514,703	9.14	2,514,703	4.57																										
Hamad Ibraheem Hamad Al Abdullatif	2,085,000	7.58	2,085,000	3.79																										
Al Mada Al Awal Holding Company	1,500,000	5.45	1,500,000	2.73																										
Paid up Share Capital before Offering	Two hundred seventy five million Saudi Riyals (SAR 275,000,000) fully paid																													
Post-Offering Share Capital	Five hundred and fifty million Saudi Riyals (SAR 550,000,000)																													
Total number of Issued Shares before Offering	Twenty seven million and five hundred thousand shares (27,500,000)																													
Post-Offering total number of Issued Shares	Fifty five million shares (55,000,000)																													
The Offering	The Offering includes 27,500,000 (twenty seven million and five hundred) Shares with a nominal value of SAR 10 (ten Saudi Riyals) each representing 50% of the issued Share Capital of the Company after the Offering.																													
Offer Price	SAR 10 (Ten Saudi Riyals) per share																													
Total Number of Offer Shares	Twenty seven million and five hundred thousand shares (27,500,000)																													
Nominal Share Value	SAR 10 (Ten Saudi Riyals) per share																													

Total Value of Offer Shares	Two hundred seventy five million Saudi Riyals (SAR 275,000,000)
Individual Subscribers	The Offering is directed at and may only be accepted by Individual Investors who are Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband and who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit (each an "Individual Investor" and collectively "Individual Investors"). Subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases the relevant regulations shall be enforced against that person.
Subscription procedure	Subscription Forms will be available during the Offering Period at the branches of the Selling Agents. Subscription Forms must be completed in accordance with the instructions set out in the "Subscription Terms and Conditions" section of in this Prospectus. Subscription may also be made through the internet, telephone banking or ATMs through any of the Selling Agents which offer such services to Subscribers who have participated in any recent initial public offering.
Minimum Number of Offer Shares to be Applied for	Fifty (50) Shares.
Minimum Subscription Amount	SAR 500 (five hundred Saudi Riyals).
Maximum Number of Offer Shares to be Applied for	Two hundred thousand (200,000) Shares.
Maximum Subscription Amount	SAR 2,000,000 (Two million Saudi Riyals).
Total Number of Underwritten Shares	Twenty seven million and five hundred thousand shares (27,500,000)
Underwritten Amount	Two hundred seventy five million Saudi Riyals (SAR 275,000,000)
Use of Offering Proceeds	The net proceeds from the Offering totaling to SAR 263 million, after deducting all expenses related to the Offering estimated at SAR 12 million (Please refer to "IPO Fees and Expenses" section) will be paid to the Company to be used to finance its business to establish a cement plant and its related facilities. The Founding Shareholders will not receive any amounts from the net proceeds (please refer to the "Use of Proceeds" section).
Offering Period	The Offering will commence on 29/6/1435H (corresponding to 29/4/2014G) and will remain open for a period of seven (7) days up to and including 6/7/1435H (corresponding to 5/5/2014G)
Allocation of Offer Shares	Allocation of the Offer Shares is expected to be completed on 12/7/1435H (corresponding to 11/5/2014G). Each individual investor will be allocated minimum of fifty (50) Offer Shares and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis according to the number of shares requested by the subscriber proportional to the total number of shares applied for. The Company can not guarantee the minimum allocation of fifty (50) Offer Shares in the event that the number of Subscribers exceeds 550,000 (five hundred and fifty thousand). In that case, the Offer Shares will be allocated equally between all Subscribers.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to the Subscribers by the Selling Agents without any charge or withholding. Notification of the final allotment and refund of excess subscription monies, if any, will be made by 12/7/1435H (corresponding to 11/5/2014G) (please refer to the "Subscription Terms and Conditions" section)
Dividends Distribution	The Offer Shares will be entitled to receive dividends declared by the Company starting from the completion of the Offering Period and for subsequent fiscal years. For further information, please refer to the "Dividends Policy" section.
Voting Rights	The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least twenty (20) Shares has the right to attend and vote at the General Assembly Meeting. For further information, please refer to the "Description of Shares" section.

Share Restrictions	The Selling Shareholders may not dispose of any Shares during the period of six (**) months from the date on which trading of the Offer Shares commences on the Exchange or upon the commencement date of commercial operation, whichever comes first («Lock-in Period»). After the Lock-in Period has elapsed, the Selling Shareholders may dispose any of their Shares only after obtaining CMA's approval.
Listing of Shares	Prior to the Offering, there has been no public market for the Shares of the Company in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted. (Please refer to the "Subscription Terms and Conditions" section, paragraph entitled "Resolutions and Approvals According to which the Shares will be offered"). Trading is expected to commence on the Exchange soon after the final allocation of the Shares and fulfillment of all related requirements. (please refer to the "Key Dates for Investors" section).
Risk factors	There are certain risks relating to investing in this Company. These risks can be categorized into (i) risks relating to the Company's operations and prospects; (ii) risks relating to the market; (iii) risks relating to the ordinary shares. All such risks are elaborated in "Risk Factors" section of this Prospectus, which must be read carefully prior to taking any decision to invest in the offered shares.
Offering Costs	Offering costs are estimated at approximately SAR 12 million (please refer to "Offering Fees and Expenses" section in this Prospectus). Such costs will be deducted from the amount of Offering Proceeds totaling to SAR 275 million. This figure includes the fees and expenses of the Financial Advisor, Legal Advisor, Financial Due Diligence Advisor, the Underwriters and Selling Agents, as well as the media consultant and other related expenses related to Offering.

## Key Dates for Investors

Expected Offer Timetable	Date
Date of Extraordinary General Meeting	The Company's Extraordinary Meeting has approved 25/04/1435H (corresponding to 25/02/2014G) to increase the Share Capital of the Company by SAR 275,000,000.
CMA's approval of Offering	On 6/6/1435H (corresponding to 6/4/2014G)
Offering Period	The Offering will commence on 29/6/1435H (corresponding to 29/4/2014G) and will remain open for a period of seven (7) days up to and including 6/7/1435H (corresponding to 5/5/2014G)
Last date for submission of application form and subscription monies for Institutional Investors	On 6/7/1435H (corresponding to 5/5/2014G)
Notification of final allotment Refund Surplus Subscription funds, if any	On 12/7/1435H (corresponding to 11/5/2014G)
Issuance of the new Commercial Registration for the Company	After completion of final allocation of shares and refund of oversubscription monies, and before starting share trading on the Exchange
Start date of trading of Offer Shares	Upon finalization of all relevant procedures and meeting all regulatory requirements. Announcement will be published through local newspapers and Tadawul website

Note: The above timetable shows indicative dates. Actual dates will be conveyed through announcements appearing in national daily newspapers issued in Arabic and Saudi Stock Exchange (Tadawul) website ([www.tadawul.com.sa](http://www.tadawul.com.sa)).

## Subscription Procedure

The Offering is directed at and may only be accepted by individual investors who are Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit, provided that any

such woman provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that applicant.

Subscription Forms will be available during the Offering Period at the branches (or websites) of the Lead Manager and Selling Agents. Subscription may also be made through the internet, telephone banking or ATMs through any of the Selling Agents which offer such services to Subscribers, provided that:

1. the subscriber has participated in a recent initial public offering;
2. the subscriber must have a bank account at the Selling Agent which offers such services as the amount will be debited to his account; and
3. there should have been no changes in the personal information of the subscriber since the last offering.

The Subscription Forms must be completed in accordance with the instructions set out in the "Subscription Terms and Conditions" section of this Prospectus. Each Subscriber must complete and accept all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event that any of the subscription terms and conditions are not met or observed precisely. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon its submission, be considered to be a legally binding agreement between the Company and the Subscriber (Please refer to the Subscription Terms and Conditions).

## Summary of Key Information

This summary of key information is intended to provide an overview of the information contained in this Prospectus. However, this does not contain all information that must be considered before taking an investment decision by the subscriber. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company's Shares without relying on this summary.

## Company Overview

Umm Al-Qura Cement Company was established in the Kingdom of Saudi Arabia with headquarters in Riyadh, Sulaimaniyah District, Al-Tahliyah Street, P.O. Box 10182, Riyadh 11433, as a Saudi joint stock company in accordance with the Ministerial decision No. 214/Q, dated 25/08/1434 H (corresponding to 04/07/2013), Commercial Registration No. 1010382514, dated 28/08/1434 H (corresponding to 07/07/2013). The Company's business is to produce Portland Cement of all types in accordance with the raw material quarry license No. Q/2 dated 01/01/1433 to exploit raw limestone, and produce White Cement in accordance with the raw material quarry license No. Q/1 dated 01/01/1433H to exploit raw limestone; both licenses were issued by the Ministry of Petroleum and Mineral Resources. Current Company Capital is two hundred and seventy five million (275,000,000) Saudi Riyals, fully paid in cash, divided into twenty seven million and five hundred thousand (27,500,000) ordinary shares of equal value, at par value of ten (10) Saudi riyals per share.

This is a newly founded Company. It is currently building an integrated Plant to produce Portland Cement with an annual production capacity up to 1.98 million tons of Clinker (based on 330 workdays), equivalent to 6000 tons per day. The Plant will produce 2.22 million tons of cement a year (based on 330 workdays), equivalent to 6,735 tons of cement per day. The Plant will produce two types of Portland Cement: Ordinary Portland Cement ("OPC"), 75% and Pozzolan Portland Cement ("PPC") 25% of production.

It is expected that the Plant will be completed and commercial production will begin in the first quarter of 2016. The Company will complete in the third quarter of 2015 the necessary feasibility study for White Cement license exploitation. Umm Al-Qura Cement Plant is located in Hurat Hadon(2), near Radwan village, Taif Governorate, Makkah Region.

In accordance with the Company's Articles of Association and By-Laws and terms of license issued by the Ministry of Petroleum and Mineral Resources, the Extraordinary General Meeting held on 25/04/1435H (corresponding to 25/2/2014G) approved the proposal to raise the Company's Capital by an amount of two hundred and seventy five million (275,000,000) Saudi Riyals, representing 50% of the of the Share Capital (after Offering), through Initial Public Offering ("IPO"). After IPO, the Share Capital of the Company will become five hundred fifty million (550,000,000) Saudi Riyals, divided into fifty five million Ordinary Shares, with a par value of ten (10) Saudi Riyals per Share. Founding shareholders have waived their preemptive right to subscribe for the new.

## Purpose of Company

The following are the Company's purposes in accordance with its Commercial Registration:

- Produce Portland Cement of all types
- Produce White Cement
- Manage and operate Portland and White Cement Plant
- Contracting of general buildings, construction works, mechanical and electrical works.

The Company has started building of the Portland Cement plant.

## Company Vision

To be the preferred choice for customers, investors, and employees.

## Company Mission

Create sustainable value and maintain its growth for the sake of customers, shareholders and employees.

## Company Strategy

UACC's strategy is built based on its own distinguishing characteristics. The Company will strive to have competitive advantages in all of its main sectors in order to create sustainable value by adopting the following strategies:

### **Safety, environment, human resources, and information technology:**

- Compliance with the highest standards of safety and environment protection.
- Development of human resources through national work force training and education.
- Continuous upgrading of information technology, equipment and systems.
- Creating a working environment with a highly professional and productive industrial culture.

### **Operation:**

- Monitoring and control system of high standards to maintain high quality of work and product.
- High productivity of Production lines.
- High Readiness of production lines with advanced maintenance systems

### **Customers:**

- Continuous and constant meeting of customers' needs.
- High quality product on constant basis.
- High-speed service.
- Competitive prices.

The Company will sell its products to customers and distributors from the packaging station located in the Company's production facility. The percentage of bulk and bagged cement will depend on market needs and requirements. However, the Company will conduct a detailed marketing study prior to operation and commercial production.

### **Financial return**

- Maximize return on sales
- minimize production costs.
- Maximize utilization of assets.

### **Adoption of the above strategies will create added value as follows**

- A sustainable organization with a positive image.
- A productive organization with highly profitability.
- A solid organization that is capable of rapid growth and development.

## Competitive Advantages

The Company enjoys the following competitive advantages:

### Geographical location

The Company's plant is strategically located. Hurat Hadon(2) is located at 11 km from the southeast of Radwan village, Taif Governorate, Makkah. It is also located at a distance of 130 km to the northeast of Taif and the Plant site is well connected with the Riyadh - Taif highway. Limestone material available in abundant quantities in this area, which constitutes 97.21% of cement product.

### Availability of Raw Materials

Based on geological tests conducted by Holtec about with regard to searching for natural raw materials used for industrial purposes, the most important locations of basic raw materials for the cement industry especially limestone have been determined as follows:

- Limestone is available in Hurat Hadon(2) near Radwan village, Taif Governorate, Makkah, with reserves estimated at 59.35 million tons. Limestone reserves determine the rated (economic) term of the Plant and its continuity. The Company has obtained the mining license to exploit these reserves from the Ministry of Petroleum and Mineral Resources.
- Marlstone with total reserves of 63.21 million tons within Hurat Hadon area near Radwan village.
- Gypsum in Harra area near Jeddah, 300 km away from the plant site.
- Iron ore in Wadi Fatima near Jeddah, 150 km away from the Plant site.
- Bauxite in Tuwaiq in Riyadh region, 650 km away from Plant site.
- Pozzolana, which is volcanic ash, is available in good quantities in Makkah region in general, 150 km away from the Palnt site.

### Product cost

The availability of main raw materials near the Plant helps directly in reducing product cost.

## Major Shareholders

**Table 2: Major Shareholders holding directly 5% or more of Company Shares**

Shareholders	Pre-Offering		Post-Offering	
	No of Shares	Ownership %	No of Shares	Ownership %
Villa International Projects Trading Company	5,135,000	18.67	5,135,000	9.34
Abdulaziz Omran Al Omran and Partners Company	2,514,703	9.14	2,514,703	4.57
Hamad Ibraheem Hamad Al Abdullatif	2,085,000	7.58	2,085,000	3.79
Al Mada Al Awal Holding Company	1,500,000	5.45	1,500,000	2.73

Source: the Company

Note: the above percentages are rounded.

## Summary of Market and Industry Study

The Saudi economy continued its growth during 2012 supported by Government efforts to introduce structural and organizational reforms, which contributed to building a diversified economic base, increasing the share of nonoil sectors in the economy, creating an attractive investment environment for the private sector and foreign investors, increasing employment opportunities for citizens, lowering unemployment, and lowering inflation.<sup>1</sup>

The Kingdom is currently undergoing tremendous economic development in line with its Ninth Development Plan, which aims to achieve development through expanding the economic base, reducing dependence on oil revenues, reducing disparities in economic development among Kingdom regions through balanced development, exploiting abundant resources in the Kingdom, strengthening strategic partnership between public and private sectors, and providing an environment favorable to foreign investors.<sup>2</sup>

<sup>1</sup> SAMA 49<sup>TH</sup> Annual Report

<sup>2</sup> The 9<sup>th</sup> Development Plan for the Ministry of Economy and Planning



The 9th Development Plan highlighted the importance of supporting knowledge economy through the development of education in all stages, expanding vocational and technical training programs to include all Kingdom areas, lowering unemployment, raising the living standard of citizens and providing them with appropriate housing.<sup>3</sup>

#### Overview Of Cement Sector in Saudi Arabia<sup>4</sup>

The cement sector in the Kingdom is supported by the Government through low-priced fuel from Saudi Aramco. Moreover, the availability of raw materials such as limestone gives cement companies competitive cost advantage in comparison with regional producers.

**Table 3 Cement Consumption in the Kingdom during (2002 -2012)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Consumption (MM ton)	21.0	22.6	24.1	25.4	24.8	27.1	30.3	36.7	41.2	47.9	53.4
Consumption Growth	-	8%	7%	5%	%-2	9%	12%	21%	12%	16%	12%

Source: Holtec

Since 2007, the cement sector in the Kingdom has witnessed steady growth because of increased infrastructure and housing projects, which contributed significantly to high demand for cement. The highest growth rate for the cement sector was 21% in 2009 compared to 2008, while the CAGR for cement consumption was 15% during the period 2007 to 2012.

Umm Al-Qura Cement Company targets Makkah, Al-Madinah and Al-Baha regions due to increased demand for cement in those regions and its proximity to the Plant, which gives the Company a competitive advantage compared to other cement companies. The Company plans to market 70% of its total production in Makkah, in addition to 20% and 10% in Al-Madinah and Al-Baha respectively.

There are at the present 14 active cement companies with actual annual production of 53.96 million tons and production capacity of 58.73 million tons as at year 2012. Average capacity utilization for cement companies was 92% in 2012.

**Table 4: Production of Cement Companies in the Kingdom in 2012**

Company	Region	Actual Production (MM Ton)	Production Capacity (MM Ton)	Use of Production Capacity (%)
Yamama Cement	Central	6.35	6.32	100
Saudi Cement	Eastern	8.71	8.67	100
Eastern Cement	Eastern	3.37	3.16	107
Al-Qassim Cement	Central	4.18	4.21	99
Yanbu Cement	Western	5.95	8.33	71
Arabian Cement	Western	4.22	4.50	94
Southern Cement	Southern	7.28	7.89	92
Tabuk Cement	Northern	1.60	1.40	114
Riyadh Cement	Central	3.79	3.82	99
<b>Najran Cement</b>	<b>Southern</b>	<b>2.51</b>	<b>3.13</b>	<b>80</b>
City Cement	Central	1.80	1.60	112

<sup>3</sup> The 9<sup>th</sup> Development Plan for the Ministry of Economy and Planning

<sup>4</sup> Holtec Report

Company	Region	Actual Production (MM Ton)	Production Capacity (MM Ton)	Use of Production Capacity (%)
Northern Cement	Northern	1.07	2.00	54
Al-Jouf Cement	Northern	1.53	1.74	88
Al-Safwah Cement	Western	1.62	1.96	83
<b>Total</b>		<b>53.96</b>	<b>58.73</b>	<b>92%</b>

Source: Holtec

## Summary of Financial Information

The financial information presented below should be read together with the audited financial statements for the period between 3 July 2013G to 31 December 2013G, including the notes thereto. It is worth to mention that the first financial year of the Company ends on 31 December 2014G. these financial statements have been prepared to enable the public to view the latest financial results of the Company.

## Income Statement

Income Statement for the period 3 July 2013G to 31 December 2013G (SAR)	
<b>Revenues</b>	-
Cost of Revenues	-
<b>Total Profit</b>	-
Pre-association Expenses	(3,059,769)
Pre-operating Expenses	(3,520,221)
Financial Charges	(282,663)
Net Loss before Zakat	(6,862,653)
Zakat Provision	-
<b>Net Loss for the Period</b>	<b>(6,862,653)</b>

Source: Audited Financial Statements of the Company

## Balance Sheet

Balance Sheet Balance Sheet as at 31 December 2013G (SAR)

<b>Current Assets</b>	
Cash at Banks	136,615,048
prepayments and other assets	785,599
<b>Total Current Assets</b>	<b>137,400,647</b>
<b>Non-Current Asses</b>	
Projects in Progress	131,956,588
Computers and Office Equipment	142,463
<b>Total Non-Current Assets</b>	<b>269,499,698</b>
<b>Total Assets</b>	<b>269,499,698</b>
<b>Current Liabilities</b>	
Receivables	1,013,854
Due Expenses	287,726
Zakat Provision	-
<b>Total Current Liabilities</b>	<b>1,301,580</b>
<b>Non-Current Liabilities</b>	
End of Service Provision	60,771
<b>Total Non-Current Liabilities</b>	<b>60,771</b>
<b>Total Liabilities</b>	<b>1,362,351</b>
<b>Shareholders' Equity</b>	
Share Capital	275,000,000
Accumulated Losses	(6,862,653)
<b>Total Shareholders' Equity</b>	<b>268,137,347</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>269,499,698</b>

Source: Audited Financial Statements of the Company

## Statement of Cash Flows

Cash Flow Statement for the period 3 July 2013G to 31 December 2013G (SAR)	
Net cash used in operating activities	(6,267,108)
Net cash used in investing activities	(132,117,844)
Net cash from financing activities	275,000,000
-Net change in cash balances	136,615,048
Cash balances at the beginning of the period	-
Cash balances at the end of the period	136,615,048

Source: Audited Financial Statements of the Company

## Summary Risk Factors

### Risks related to the Company's Operations:

- Quarry license:
- Main Licenses and Permits:
- Production Impediments:
- Risks related to Plant Operation:
- Risk related to Lack of Workforce:
- Risk related to lack of compliance with Safety and Security Regulations by Company Employees:
- Management and Qualified Employees:
- Risks Related to Lack of Previous Operations and Operating History
- Lack of Customer Base for the Company:
- Power Supply and Availability of Raw Materials:
- Fluctuation of Raw Materials Prices:
- Costs of Engineering, Procurement and Construction Works:
- Risks Related to Product Prices:
- Risks Related to the Quality of Products:
- Risks of Excessive Production:
- Distribution Networks:
- Transport Risks:
- Saudization and Nitagat Program
- Risks Related to Capital and Funding:
- Additional Funding in Future:
- Insurance against Risks:
- Trademark Registration:
- Technology Risks:
- Risk of Technical Malfunctions and Interruption of Production:
- Accidents and Injuries:
- Lawsuits:
- Risks of Non-conclusion of some Major Contracts:

### Risks Related to the Market:

- Competition:
- Economic Conditions and Construction Activities in the Kingdom:
- Environmental Regulations:
- Regulatory Environment:
- Political Risks:
- Ban on Export of Cement:
- Tariff:
- Interest Rates:
- Risk of Exchange Rate Fluctuations:
- WTO Membership:

### Risks Related to the Offer Shares:

- Future Sale of Shares:
- Absence of Prior Market for the Company's Shares and Potential Fluctuation of the Share Price:
- Control of Current Shareholders
- Dividends Distribution:

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# 1. Definitions and Abbreviations

Term	Definition
Executive Management	the Management of Umm Al-Qura Cement Company
Underwriting Agreement	The underwriting agreement entered into between Umm Al-Qura Cement Company and Riyadh Capital to underwrite all Offer Shares totaling to twenty seven million and five hundred thousand (27,500,000) Shares.
Corporate Governance Regulations	The Corporate Governance Regulations of the KSA, issued by the CMA dated 21/10/1427H (corresponding to 12/11/2006G) and amended by the CMA's Resolution No. 1/10/2010 dated 30/03/1431H (corresponding to 16/03/2010G).
Offer Shares	Twenty seven million and five hundred thousand (27,500,000) Ordinary Shares, by increasing the Company's Share Capital through IPO.
Offering	The initial public offering of twenty seven million and five hundred thousand (27,500,000) Shares, representing 50% of the Company's Share Capital after the IPO according to the conditions contained in this Prospectus.
Share(s)	Ordinary share(s) of the Company of nominal value of SAR 10 (ten Saudi Riyals) each.
Selling Agents	Riyad Bank, The National Commercial Bank, Samba Financial Group, Al Rajhi Bank and The Saudi Investment Bank.
Exchange or Tadawul	The Saudi Stock Exchange
Constitutional Assembly	The Constitutional Assembly held upon the Company's incorporation
General Assembly	An Ordinary General Meeting of all Company shareholders to discuss an agenda convened in accordance with the Companies Regulations and the Company's By-Laws
Extra-Ordinary General Assembly	An Extraordinary General Meeting of the shareholders to discuss matters not within the jurisdiction of the General Meeting convened in accordance the Companies Regulations and the Company's By-Laws
Allocation Letter	The letter dated 01/01/1433H addressed to the Ministry of Petroleum and Mineral Resources regarding the quarry's license number (Q/1) and (Q/2) and the concession right.
US\$/Dollar	The official currency of USA.
Board Chairman	Chairman of the current Board of Directors
Director or Board Member	A member in the Company's Board of Directors
Riyal or SR	Saudi Riyal, the official currency of KSA.
Riyad Capital	Riyad Capital, a Saudi Company authorized by CMA to provide brokerage, asset management, investment and financial advisory services.
Offer Price	SAR 10 (Ten Saudi Riyals) per share
Nominal Share Value	SAR 10 (Ten Saudi Riyals) per share
The Company or UACC	Umm Al-Qura Cement Company
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia.



Term	Definition
Offering Period	The Offering will commence on 29/6/1435H (corresponding to 29/4/2014G) up to and including 6/7/1435H (corresponding to 5/5/2014G)
Share Restriction Period or Lock-in period	The Selling Shareholders may not dispose of any Shares during the period of six (**) months from the date on which trading of the Offer Shares commences on the Exchange or upon the commencement date of commercial operation, whichever comes first («Lock-in Period»). After the Lock-in Period has elapsed, the Selling Shareholders may dispose any of their Shares only after obtaining CMA's approval.
Listing Rules	The Listing Rules issued by the CMA's Resolution No. 3/11/2004 dated 20/08/1425H (corresponding to 04/10/2004G), as amended by CMA's Board resolution No. 1-36-2012 dated 11/01/1434H (corresponding to 25/11/2012G).
Underwriter	Riyad Capital
Lead Manager	Riyad Capital
Individual Subscribers	Any subscriber that meet the conditions and his subscription is accepted by the Lead Manager.
Shareholder(s)	Shareholder(s) of the Company at any period of time
Legal Advisor	Al Fahad Law (AbdulazizHamad Al Fahad Office)
Financial Advisor	Riyad Capital
Market and Geological Studies Consultant	Holtec Consulting Pvt. Ltd.
Financial Due Care Consultant	Ernest & Young and Co. (Certified Public Accountants)
The Kingdom or KSA	The Kingdom of Saudi Arabia
TADAWUL	The electronic system for trading in listed shares in the KSA.
Prospectus	This Prospectus.
Voting Rights	The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least twenty (20) Shares has the right to attend and vote at the General Assembly Meeting.
Business Day	Any day in which the Selling Agents open for normal business (Except Fridays, Saturday and official holidays)
By-Laws	The By-Laws of the Company issued by the Ministry of Commerce and Industry.
Companies Regulations	The KSA Companies Regulations issued under Royal Decree No. M/6 dated 22/3/1385H, as amended.
Products	Products of the Company.
Relatives	The father, mother, spouse and/or children.
Subscription Application Form	The subscription application form according to which, subscribers may apply for Offer Shares.
Authority or CMA	The Capital Market Authority of the KSA.

Term	Definition
SOCPA	Saudi Organization for Certified Public Accountants
Ton	A weight measurement unit that equals to 1,000 kg
Ordinary Portland Cement (OPC)	An end product of cement manufacturing normally used for general civil construction works such as foundations, ceilings and walls.
Sulfur Resistant Cement (SRC)	An end product of cement normally used in concrete constructions that are exposed to extensive reactions especially high amounts of Sulphates. It is also used wherever there are constructions that are in direct contact with clay soil and ground water.
Portland Pozzolanic Cement (PPC)	An end product of the types of gray cement where Pozzolanic material is added to the Clinker addition to gypsum. This product is characterized by resistance to breakage for long periods of time compared to Portland Cement, and is used in all construction purposes and concrete castings.
Clinker	A semi-finished product for cement manufacturing. It is composed of grayish-black pellets and is part of the non-combustible residue of combustion of raw materials in a furnace or incinerator. It is the prefinal stage of producing cement.
CAGR	Compound Annual Growth Rate
Heavy Fuel Oil (HFO)	This type of fuel is used to run thermal power generation plants as well as in heavy industries such as mining, cement and glass to secure thermal energy needed to run them.
Pozzolana	They are natural materials or industrial Silica or Aluminum, that have few concrete properties of. They have the ability to unite with calcium hydroxide at normal temperature and in the presence of water if they are soft consisting of compounds that have concrete properties, so that the remaining percentage not passing the sieve 45 micron does not exceed 20% using wet method.
Marlstone	Is a mineral composed of a mixture of lime, clay and silica
Initial Cement	The cement produced during the commissioning period of the Project

## 2. Risk Factors

Before deciding whether to purchase Offer Shares, prospective investors should carefully consider all information contained in this Prospectus, including the risk factors described below. The risk factors are not exhaustive and exclusive, and there could be other risks currently unknown to, or considered immaterial by, Umm Al-Qura Cement Co. ("the Company") that may affect its operations.

The Company's business, prospects, financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks, which the Company management ("the Management") currently believes to be material, actually occurs, or any other risks that the Board has not identified or that it currently considers not to be material, actually occur or materialize.

In the event that any of the risks that the Management currently believes to be material materialize, or if any other risks that the Management have not identified or that they currently consider not to be material, occurs or becomes material risks, the trading price of the Offer Shares could decrease due to any of these risks or other risks.

### 2 - 1 Risk Factors Related to the Company and its Operations:

#### 2 - 1 - 1 Quarry license:

Under the letter of the Ministry of Petroleum and Mineral Resources, number W/101/129/33 dated 23/1/1433H, addressed to the General Manager of Abdulaziz Omran Al-Omran & Partners, the Company has been awarded a raw materials quarry license for exploitation of limestone ore to manufacture White Cement from Hurat Hadon(1) in Taif Region under Ministerial Decree No. Q/1 dated 1/1/1433H for a period of thirty (30) Hijra years, i.e. the license will expire by the year 1463H. The Company has also been issued a raw materials quarry license for exploitation of limestone ore to manufacture Portland Cement from Hurrat Huden (2) in Taif Region under Ministerial Decree No. Q/2 dated 1/1/1433H for a period of thirty (30) Hijra years, i.e. the license will expire by the year 1463H. Both licenses have been awarded based on Abdulaziz Al Omran & Partners acceptance of the terms and conditions agreement that comes along with each license of raw materials quarry. As per the provision of article nine of that agreement, the licensee shall establish a Saudi joint stock company owning the entire project, including the cement plant, and licensee shall contribute by an equity of (50% ) fifty per cent of the shares, and of the remaining shares will be offered for public subscription. The partners have pledged to waive the right of priority in the IPO and would then convert the license to the Joint Stock Company.

Based on this condition, the Company has been established and the licenses will be transferred to it after the completion of offering of shares for subscription and getting the approval of the Ministry of Petroleum and Mineral Resources. However, in the event that transfer of licenses to the Company has not been completed; or has been delayed for any reason beyond control; or in the event of non-approval of the Ministry of Petroleum and Mineral Resources; or if there are financial burdens, mortgage or any other related interests, the Company's ability to use the rights associated with these licenses will be limited, and accordingly will have a negative impact on the Company's business and financial condition.

The Company has started the construction works to exploit the license number Q/2 dated 1/1/1433H for the Portland Cement Plant at Hurat Hadon Site (2). According to the terms of the license, the Company shall provide a proof of commencement of commercial production to the Ministry of Petroleum and Mineral Resources within thirty six (36) months from the date of the license. Failure to meet such a requirement will give the Ministry of Petroleum and Mineral Resources, the right to terminate the license and if the license is terminated, the Company's activities, results of operations and financial position will be adversely affected.

As for exploitation of the license No. Q/1 dated 01/01/1433H for manufacturing White Cement at Hurat Hadon site (1), the Company will work on completing the feasibility studies necessary to take advantage of this license. In case the feasibility studies resulted in that it is not feasible to exploit and activate the White Cement license, the Ministry of Petroleum and Mineral Resources may terminate this license. As per the conditions of the license, the Company shall provide the Ministry of Petroleum and Mineral Resources with a signed copy of the Project Management Contract (PMC) within two months from the date of the license, a signed copy of the Front End Engineering Designs (FEED) study within six (6) months from the date of the license, and copies of documents proving the availability of capital or completing and closing the financing of the Plant (Financial Closure) whether through capital contributions from owners or loans from banks, institutions or financial and investment funds within six (6) months from the date of the license and signed copies of the engineering, procurement and construction (EPC) contract within ten (10) months from the date of the license and provide a proof of commencement of commercial production within thirty-six (36) months from the date of the license. The Company will complete the feasibility studies necessary to exploit the license. If it does not meet these obligations, and fails to fulfill any of these conditions, the Ministry of Petroleum and Mineral Resources shall have the right to terminate the license. In the event that the license is terminated, this will adversely affect the Company's activities, as it will not be able to produce the White Cement in the event of cancellation of its license.

However, according to the terms of the two licenses, the Ministry of Petroleum and Mineral Resources has the right to terminate either one of the licenses, in case of violation of any of their conditions (Please see the “Legal Information” Section, paragraph entitled “licenses of raw materials quarry”). Although the license No. Q/1 dated 1/1/1433H and license No. Q/2 dated 1/1/1433H have been issued under a separate ministerial resolutions and separate terms, there is no guarantee that termination of one of the licenses by the Ministry of Petroleum and Mineral Resources will not lead to termination of the other license.

#### 2 - 1 - 2 Main Licenses and Permits:

The Company is subject to laws and regulations of the Kingdom of Saudi Arabia, which are overseen by several agencies. In addition to the franchise rights on the land and the above mentioned quarry licenses issued by the Ministry of Petroleum and Mineral Resources, the Company has an initial industrial license from the Ministry of Commerce and Industry under No. 22839, dated 30/05/1434H. It has also a Commercial Registration issued by the Ministry of Commerce and Industry under No.1010382514, dated 28/08/1434H. The Company shall retain these licenses and the appropriate regulatory approvals for its activities, and shall obtain any additional licenses or permits that may be required by the regulations in the future. It is known that all these licenses and permits are of limited period and must be renewed on a regular basis. Also, some of these regulations provide for conditions and requirements that should be met by the Company. If the Company fails to renew any of such licenses and permits for any reason, or if these licenses and permits are suspended, the Company will be required to halt or suspend some of its operations, and accordingly it will be required to suspend its operations and production, or incur fines and additional financial costs which may adversely affect its activities, results of operations and financial situation.

#### 2 - 1 - 3 Production Impediments:

The Company is currently building a cement Plant on a land licensed by the Ministry of Petroleum and Mineral Resources, of an area of (24,537) sq. km at Hurat Hadon site (2) in Taif Region, for production and distribution of Portland Cement and the Company will run this plant. The completion of a Plant of this size in a timely manner, is subject to some external factors beyond the control of the Company, including a number of approvals that should be obtained from regulatory agencies, changes in the governmental regulations and the commitment of the plant main contractors or subcontractors to implement their agreed upon obligations on a timely manner. The occurrence of such factors will lead to a delay in the start of production by the Company, and accordingly will result in incurring losses and material liabilities. It will affect the Company’s activity, future prospects, results of operations, financial conditions and share price. There is no confirmation or assurance that the Company’s business will not be disrupted, interrupted or materially and adversely affected in the event of occurrence of any of these factors.

#### 2 - 1 - 4 Risks related to Plant Operation:

The operation of the plant of this size is subject to significant operational risks usually associated with industrial companies, including industrial accidents, unusual or unexpected climate conditions, and other environmental risks. The Company and its operation may suffer other force majeure incidents, such as natural disasters, interruption of production lines, delayed delivery of orders or equipment, malfunction and non-receipt of spare parts for production equipment, power generation, water, and computer equipment. If some or all of these risks and incidents occur, the Company will suffer significant damage, or they will lead to delay or interruption of the start of production, and will prejudice the Company’s ability to supply its products. Cement production lines are considered industrial lines that operate sequentially between production units to get the End Product. Any halt to any unit of production may lead to the suspension of the production line completely until the defective unit is repaired, and that may lead to incurring losses and material consequences by the Company.

#### 2 - 1 - 5 Risk related to Lack of Workforce:

The construction, installation and operation of the plant require provision of a large number of the workforce, and in the event of a shortage or delay in issuance of visas for recruitment of workforce, for whatever reasons, will adversely affect the completion of the construction of the plant and the production, which would have a negative impact on the financial position of the Company.

#### 2 - 1 - 6 Risk related to lack of compliance with Safety and Security Regulations by Company Employees:

The occurrence of an error or a lack of compliance with safety and security regulations may lead to industrial or human disasters that could adversely affect the Company’s business. The occurrence of such disasters may cost the Company a lot of money and adversely affect its financial position and share prices. The work in the industrial sector is always risky and vulnerable to presence of accidents, injuries and fires at any time and that may affect the

Plant operations or its employees. Such accidents and injuries could cost the Company significant financial losses in case they are not covered by insurance.

#### 2 - 1 - 7 Management and Qualified Employees:

The Company relies on the executive management which has a long experience of administrative work in the area of the Company. It plays a major role in application of the Company's strategic policy aiming to the success of the Company's business and achievement of its future aspirations. Due to the recent establishment of the Company, it is going to attract qualified people to take over the Company's activities, although, there is no guarantee that the Company will be able to attract or retain them. Therefore, company's business, financial condition and operating results may be adversely affected in case of loss of its key employees in short and medium terms, or if it cannot attract staff with high qualifications and experience and train replacements at the same level of qualification. Also, the Company cannot give any assurance that it will find qualified replacements for these employees on time or attract and retain qualified staff when the need arises for them. In addition, there is a high competition in the market to attract qualified employees who have the required expertise due to the scarcity of individuals with the required qualifications. In order to maintain the person with the required experience and qualifications, the Company may have to offer higher salaries and additional benefits, which could affect the financial position of the Company.

#### 2 - 1 - 8 Risks Related to Lack of Previous Operations and Operating History

The Company does not have previous operations and operating history, and it has never achieved any financial income prior to this offering. So the Company, like any other company in the first stages of incorporation, will be exposed to major commercial and financial risks. It needs to establish effective operational procedures and other internal procedures and steps necessary to practice its activities properly and as planned. It may incur significant losses due to the absence of such operational experience and commercial practice, especially in light of the presence of other competitors in the market who have better experiences in the cement sector. The operation of a new plant of this size contains several risks, including the lack of sufficient experience of the staff to manage and operate production lines, manage inventory, handle emergency situations or provide raw materials on regular and uninterrupted basis. The occurrence of such obstacles or other obstructions associated with the operation of the Plant may lead to delay in production and financial losses to the Company.

#### 2 - 1 - 9 Lack of Customer Base for the Company:

Since the Company has not started operation and production yet, it does not have any current customer base. Therefore in order for the Company to successfully compete in the KSA market, it should, after the start of production, build a large customer base through establishment of good relations with potential customers, and provide them with services and facilities. The failure of the Company in building this important base during the period of high production efficiency, may adversely affect its business, financial position and operation results.

#### 2 - 1 - 10 Power Supply and Availability of Raw Materials:

Cement companies depend mainly on limestone material (high/ low concentration) in their production. Also they need to provide an adequate supply of gypsum, iron ore, bauxite and other raw materials. The limestone material (high/ low concentration) is available at the plant site in Hurat Hadon(2) at Radwan village in Taif Region. In the event of depletion of these quantities or in the event that the Company faces barriers preventing it from extracting these materials from the earth, the Company might be forced to search for other sources to secure these materials which will raise significantly the cost of production, and consequently will reduce profit margins for the Company, or make it incur operating losses, and unable to compete in the market.

In addition, the Company will supply gypsum, iron ore, bauxite and other raw materials required for the manufacture of cement from different areas far from the plant site which will make the Company bear higher costs to transport these materials. In addition, there would be higher risks in the event of interruption of any of these materials for reasons relating to transportation, supply or any other reasons that could disrupt the Plant's production and cause financial losses to the Company (see "The Company" section paragraph entitled "Availability of Raw Materials").

The Company depends on all types of fuel such as diesel, gasoline, and gas. Also, cement manufacturing consumes large amounts of energy, which represents a significant portion of production costs. and it is not guaranteed to be provided and its prices can vary significantly. It should be noted that the Company has not signed any agreement on the establishment of a power plant to feed the Plant with the necessary energy. The lack of sufficient supply or delay in supply of energy to the Plant can disrupt the production and cause significant financial losses to the Company.

The prices of raw materials and energy needed to the Company's activities are subject to rise from time to time, whether due to government actions to increase imposed fees or impose new fees on the extraction of raw materials,

or due to higher prices of raw material and fuel supplies. Although Saudi Arabian Oil Company “Aramco” was and remains the sole supplier of fuel to all cement plants in the Kingdom, there is no confirmation from the Company that Saudi Aramco will allocate the amount of fuel needed to run the plant, and the Company has not yet signed any agreement with Saudi Aramco, with respect to supply the plant with fuel.

Therefore, if the Company is unable for any reason to obtain adequate supplies of raw materials, fuel or electricity in a timely manner or under acceptable commercial terms or in the event of interruptions or delays in the supply of these materials, or if there are significant increases in the cost of these supplies, or if suppliers, with whom the Company has contracted, are exposed to shortage of materials or operational issues, there will be no assurance that the Company will be able to find alternative suppliers capable to supply the Company with the required raw materials or fuel at prices acceptable to it, and accordingly the Company’s activities and operating results will be adversely and significantly affected.

#### 2 - 1 - 11 Fluctuation of Raw Material Prices:

The cost of raw materials represents an important portion of production costs for the Company. The Company will pay a fee to the Ministry of Petroleum and Mineral Resources for the exploitation of raw materials extracted from quarries currently amounting to (SR 2.25 ) per ton. The Company will also supply the raw materials such as gypsum, iron ore, bauxite and other raw materials for cement production. The Company does not guarantee if there will be any increase of fees imposed by the Ministry of Petroleum and Mineral Resources at any time, nor does it guarantee the stability of prices of other raw materials. Any increase in prices of raw materials will lead to increase in the cost of production, which will reduce the profitability of the Company.

#### 2 - 1 - 12 Costs of Engineering, Procurement and Construction Works:

On 15/03/2013G, the Company had awarded Tianjin for Cement Industry Design and Research Center Co., Ltd. and to the Saudi branch of Sonoma International Co., both are international companies and have long experience in this field, the contract to build a new cement Plant with a capacity of 6,000 tons of Clinker per day. The term of each contract is 30 months from the date of signing of the contract in May 2013G for a total value of USD 214,150,000 (SR 803,062,500). The Company also intends to sign a contract with a specialized international company to establish a power plant to feed the Plant with the required energy (as mentioned in the paragraph “Supply of Energy and Raw Materials” of this section), but it has not yet signed any agreement in this regard. It should be noted that there can be no assurance that the performance of those companies would be in line with the signed contracts, or that the project will not be exposed to unexpected problems or cost increases and delays, whether these problems, costs and delays are caused by contractors of the projects, or by third parties, or due to changes requested by the Company. Occurrence of such problems, increase of costs or delay could have a significant adverse impact on the Company’s activities, results of operations and financial condition.

#### 2 - 1 - 13 Risks Related to Product Prices:

Future performance of the Company depends on its ability to gain market share, maintain its market share and increase that share through expansion of distribution of its products. The decline in demand for the Company’s products for any reason would adversely affect the Company’s results of operations.

Furthermore, such performance depends on the Company’s ability to maintain profitability by maintaining appropriate prices for its products and its ability to turn any increase in production costs to its customers by raising the prices of products. However, this action is not guaranteed because the final price that the Company can get for its products depends on the supply and demand in the local market, which is beyond the control of the Company.

#### 2 - 1 - 14 Risks Related to the Quality of Products:

It is well known that the quality of products of any company is considered crucial to the success of its business. The quality of products depends on efficiency of the quality control system, which in turn depends on a number of factors, including the system design, training programs on quality control, ensure employees’ compliance with quality control policies and standards.

Any failure to maintain effective quality control system can lead to production of poor quality, or not to the required level of quality, and this in turn may affect the Company’s reputation significantly, and could have a negative impact on its business and financial position. Also some malfunctions or accidents may occur and cause defects in the quality of the products. These defects if found will have significant negative consequences on the Company’s reputation, activities, financial position and operating results.



Furthermore, it is possible that staff may make errors while working at the Plant. Such errors may have a negative impact on the quality of the Plant's products, and may lead to imposition of sanctions or financial obligations on the Company or cause damage to its reputation. Given that the Company may not be able to prevent errors of staff, it also cannot ensure that these errors will not adversely affect the Company's performance and results of operations.

#### 2 - 1 - 15 Risks of Excessive Production:

The Company may increase production at the plant after operation and exceed its maximum capacity, which will contribute to increase of maintenance and spare parts costs, and inability to discharge the surplus production. This will force the Company to reduce prices due to excess of supply over demand, or even stop the Company's operations until the surplus quantities are distributed. Furthermore, the Company will bear higher costs for storage in addition to payment of fees to the Ministry of Petroleum and Mineral Resources for exploitation of limestone, currently amounting to SR 2.25 per ton. It should be noted that the terms of the quarry licenses stipulate that it is not permitted to exceed the production capacity of the cement plant beneficiary of the license to more than two million tons per year. In the case of violation of this requirement by the Company, the Ministry may impose fines on the Company in addition to the fees imposed on limestone ore, which is now SR2.25 per ton, and that would have negative impact on the production of the Plant and the Company's financial condition.

#### 2 - 1 - 16 Distribution Networks:

The Company intends to rely on an external distribution network approved by the Company to sell its products. However, the Company distributors may not adhere to the criteria established to sell the Company's products, which could affect the Company's sales. Furthermore, competitive companies may offer distributors of the Company offers better than what the Company gives them, making them withdraw from distributing the Company's products and promote competitors' products, which will lead to a decrease in the Company's sales and negatively affect its profitability.

#### 2 - 1 - 17 Transport Risks:

The Company does not own any trucks of its own to transport the cement it produces. So, the Company may agree with outside companies to transport and deliver its products after the start of production, or it may offer promotional discounts on prices for its customers who would agree to receive by themselves the cement directly from the Plant of the Company. However, in case that company's customers apologize to receive the cement directly from its location, or in the event of a dispute or disagreement between the Company and transport companies, or if the Company is forced to offer discounts, the Company results of operations, financial condition and earnings will be adversely affected. In addition, the Company will supply the gypsum material, iron ore, bauxite and other raw materials required for cement manufacturing from different areas far from the plant site which will make the Company bear higher costs for transportation of these materials, in addition to taking a big risk in the event of interruption of any of these materials for reasons of transport or supply or any other causes which may disrupt Plant production and cause financial losses to the Company.

#### 2 - 1 - 18 Saudization and Nitaqat Program

Saudization is a governmental initiative and companies operating in KSA are required to comply with Saudization requirements by employing a certain number of Saudi nationals among its staff. In accordance with Ministry of Labor's Circular issued on 1/5/1423H (Corresponding to 10/7/2002G), an annual Saudization certificate has to be obtained from the Ministry of Labor which may prescribe stricter Saudization requirements in the future.

To obtain Saudization certificate, the Saudization rate should be in accordance with the rate required by the Ministry of Labor. By obtaining this certification, the Company will be allowed to transfer sponsorship of non-Saudi workers, and recruit more of them. In case the certificate has not been obtained, the Ministry of Labor currently imposes policies that are more stringent with regard to the required rate of Saudization and imposes penalty for noncompliance, such as suspension of issuing visas for recruitment of manpower necessary to the Company, refrain from issuing the necessary approvals for the transfer of sponsorship of the Company's employees, or prevention of the Company from participation in governmental tenders or getting government loans, which could adversely affect the Company's business, financial results and financial condition.

Ministry of Labor has recently launched a program named "Nitagat" to stimulate enterprises to localize jobs as a new parameter of Saudization. It aims to replace expatriate workers with Saudi manpower according to gradual stages with quantitative aspects in terms of numbers, and qualitative aspects in terms of professions and sectors. The basic idea of the program is to classify firms into four categories (red/ yellow/ green/ premium) according to the variance of localization of job, as the companies with less Saudization will fall under red and yellow category, while those with higher Saudization rates will fall under green and premium category. Note that the evaluation of the firm is conducted by identification of percentage of Saudi employees compared to non-Saudi employees.

The Company's intention to hire more staff and workers before the start of production, and the difficulty of getting Saudi staff and workers with the required experience in the field of the Company's activities may lead to reducing the percentage of Saudization to less than the green range, as there are no guarantees that the Company will achieve the required percentage of Saudization. Failure to meet Saudization requirements would expose the Company to penalties including suspension of work visas for required labors, non-renewal of the work permits, denial of services provided by the Ministry of Labor and its offices. The Company's business and expansion plans may be affected due to its inability to secure the necessary labors for the Company from the local market or through recruitment from outside, and it may also be prohibited from participation in public tenders, or to have access to government loans and other governmental incentives.

Furthermore, Ministry of Petroleum and Mineral Resources requires companies which have quarry licenses to employ Saudi staff for their operations and Plants as per the applicable regulations, and to provide a program to be approved by the Ministry to train and qualify Saudi employees. The percentage of Saudis should not be less than 40% of its total employees at the end of the first year of production from the start of production and then the percentage will increase to 80% as minimum, after four years of operation of the plant and quarry. The license holder should prepare theoretical and practical program to be approved by the ministry for training of Saudis. In case the Company is unable to abide by the terms and conditions of the Ministry of Petroleum and Mineral Resources, the Ministry has the right to cancel the granted quarry license which could materially affect the Company's ability to continue running its business.

#### 2 - 1 - 19 Risks Related to Capital and Funding:

Investment in cement industry requires large amounts of money to build a cement plant, purchase modern production equipment, attract technical and administrative expertise and develop new technology to be used in manufacturing processes. The Company intends to use the current capital and net proceeds from the IPO to finance the expenses of the Company and its business development plans. The Company is seeking additional funding through signing facilities contracts and loans with local banks and with the Saudi Industrial Development Fund. There can be no guarantee or assurance that the Company will be able to secure sufficient funding in a timely manner or on terms favorable or acceptable to it, nor it will be able to repay these debts or fulfill all its contractual obligations towards lenders. Any failure to pay the Company's debt or non-fulfillment of its contractual obligations may affect the Company's ownership of all assets in the event it is agreed to pledge assets to the lender. Any faltering in repayment of the Company's debts or any impact on the Company's control of its assets will have a direct risk to the production of the Company and to its financial condition. It should be noted that the Company will depend mainly on borrowings to finance construction of the plant. The estimated total amount that the Company intends to borrow is SR 739,067,058, which represents 57.3% of the total cost of the plant.

#### 2 - 1 - 20 Additional Funding in Future:

In addition to the funding for establishment of the plant, the Company may need more financing in future in order to continue its activities or to make some expansion in the base of its operations in order to develop the Company's business based on decisions by the Board of Directors and to remain in a competitive position. However, this additional funding might not be available or might be available under unfavorable conditions or at inconvenient time, which could affect the Company's financial condition.

#### 2 - 1 - 21 Insurance against Risks:

The Company will sign in future a number of insurance policies that deemed to be sufficient to cover the risks that the Company may be exposed to. These policies may contain some restrictions or exceptions, or may not include comprehensive insurance for all potential risks that the Company may be exposed to as a result of its work. So if the Company is exposed to risks not covered by the insurance policy or do not have sufficient insurance, operating costs may be increased, which may adversely affect the activity of the Company and its future results of operations, financial condition and share price.

Also, there are certain types of risks that may be uninsurable, or acts that may lead to losses not fully compensated by insurance such as wars and natural disasters. In these circumstances, insurance compensation may not be enough to restore the financial position of the Company with respect to the loss of invested capital, loss of revenues or additional costs to repair the damaged properties. The Company cannot provide any assurances that the material losses that affect the Company will not exceed the amount of the insurance compensation. The Company may become accountable for risks of contamination or other hazards that the Company does not have enough or any insurance at all against them, or could not secure any insurance for them. In such cases the Company may be forced to pay large amounts of money and that would adversely affect the Company's financial condition.



#### 2 - 1 - 22 Trademark Registration:

The Company has designed a logo that reflects its ambitions and future policy and submitted an application for registration of that trademark with the Ministry of Commerce and Industry under number 143413200 dated 21/10/1434H. The request has been initially approved and published on 11/11/1434H, but during the regular period of publication, an appeal was presented against the Company's request for trademark registration and that appeal is still under consideration by the Board of Grievances until the date of issuing this Prospectus. It should be noted that such proceedings would be against the Ministry of Commerce and Industry, but the Company may deem to intervene in the proceedings for its interests. Inability of the Company to obtain final approval from the Ministry of Commerce and Industry for registration of the trademark, or in some cases, to take legal action necessary for protection of that, might adversely affect the results of the Company operations in the future. However, as the Company has not yet started production, it does not rely currently on its trademark.

#### 2 - 1 - 23 Technology Risks:

The cement industry is witnessing continuous development in the technical field, and specifically development in the field of operations, which could affect the level of competition in the local market. The technical progress has led to the emergence of a number of modern methods of production processes characterized by relatively low cost. In addition, it is possible new technologies will be developed and improved in the future. In this case it is possible that one or more of the production techniques currently used by the Company in its production process is less efficient or older at any time in future compared to those of modern technologies which could adversely and significantly affect the Company's business, financial condition, results of operations and cash flows.

Furthermore, the Ministry of Petroleum and Mineral Resources obliges companies which have quarry licenses to use of the latest international technologies with high efficiency in cement industry to optimize the use of fuel, so that the amount of energy used in each project would not exceed 3 million BTU/Ton of cement, using crude oil or heavy fuel oil, depending on the type of fuel available and licensed production capacity of the project. It should be taken into account the use of fans and pumps (compressors) of high-efficiency. In case the Plant produces electrical power for its use, it must adhere to using highly efficient generators of power generation efficiency not less than 40%, according to the latest technologies used in the Kingdom and take advantage of thermal energy wasted within the Plant. In case the Company is unable to abide by the technical terms and conditions of the Ministry Petroleum and Mineral Resources, the Ministry has the right to revoke the quarry license it granted, which would significantly impact the Company's ability to continue conducting its business.

#### 2 - 1 - 24 Risk of Technical Malfunctions and Interruption of Production:

A Plant of such size would be exposed to sudden and unscheduled interruption of its production lines due to any technical malfunction that might happen to these lines. If that happens for a long period it will lead to the loss of large proportion of production and non-delivery of orders in a timely manner, and consequently will affect the Company's results.

#### 2 - 1 - 25 Accidents and Injuries:

The work in the industrial sector is always risky and vulnerable to occurrence of accidents, injuries and fires at any time and that may affect the Plant or its staff. Such accidents and injuries may cause significant financial losses to the Company in case they are not covered by insurance.

#### 2 - 1 - 26 Lawsuits:

The nature of the Company's business requires entering into many contracts with several parties inside and outside the Kingdom. Any dispute that may arise regarding the implementation of these contracts may be referred to the competent judicial authority for decision which may disrupt the Company's business and cost it additional expenses that could negatively impact its financial results.

#### 2 - 1 - 27 Risks of Non-conclusion of some Major Contracts:

The Company's business requires mainly the existence of a power plant, mining equipment and housing for employees of the Company as well as construction of roads needed to reach the Plant site. Since the Company has not yet signed any contract to implement these works, there is no confirmation that the Company will be able to find contractors who are capable to perform such works. Also, the cost of these works may exceed the financial estimates of the Company amounting to SR 292,945,068, which represents a rate of 22.7% of the total value of the Plant. The absence of execution of any these contracts would adversely affect the Company's business, financial condition and operation results.

## 2 - 2 Risks Related to the Market:

### 2 - 2 - 1 Competition:

The Company operates in a sector of high competition between the cement companies which are estimated to be 14 operating companies (according to figures from market research and geological studies” Holtec “ in 2012). This makes it imperative for the Company to intensively monitor the situation, and work diligently to create a close and distinctive relationship with its customers. However, the intensive competition may lead to competitive prices to a high degree in order to allow the acquisition of a greater share in the market, which could affect the Company’s financial performance. Furthermore, the cement companies currently operating in the market have established strong relationships with customers in the market. The Company will need some time to form a large customer base to compete with these companies. There is no clear confirmation that the Company will be able to compete effectively against existing competitors. Also, due to imposition of restrictions on the export of cement and additional supplies of cement resulting from the new licenses granted, the market may reach the stage of saturation in the event of excess of supply of cement over demand, which could negatively affect productivity and selling price of cement .

Also, if there are surplus quantities of cement in market, that could lead to competitive pressures more than what currently exists in the market. These competitive pressures may adversely and significantly affect, either individually or collectively, the Company’s business, future prospective, financial conditions, results of operations and share prices.

### 2 - 2 - 2 Economic Conditions and Construction Activities in the Kingdom:

The activity of the Company in future depends on some estimates of the economic conditions of the market, where oil and gas sector is still dominant on the economies of key markets in which the Company operates. Therefore, any change in the prices of those sectors will affect the economic performance, which in turn will affect the performance and activity of the Company operating in the cement sector. In case economic performance is affected it will result in lower prices of building and construction causing a decrease in demand for the Company’s products.

The Company’s products of cement will be sold for the time being only in the Kingdom of Saudi Arabia where the demand for products mostly depends on the level of activity and growth in the construction industry in the Kingdom, which in turn depends on several factors such as general economic conditions, government policy, growth of GDP, consumer confidence, rate of inflation, demographic trends in the Kingdom, and others. Therefore, dependence on the domestic market and lack of geographical diversity in sales by export may expose the Company to risks associated with fluctuations in local economic conditions.

Historically, cement sector has benefited from the high rate of growth in Saudi economy, which in turn plays a role in the revival of the building and construction sector. However, no assurances can be given on the continuation of growth of the GDP or the demand for cement in Saudi Arabia at the historical rates, or even on the achievement of any growth at all. Any slowdown in the growth of the Saudi economy, or a contraction in the construction industry, particularly in government infrastructure projects, can affect the level of demand for the Company’s products, which in turn can have a significant negative impact on the Company’s activity, financial condition and results of operations.

In addition, any adverse change in one or more of the macroeconomic factors such as oil prices, foreign exchange rates, interest rates, inflation, salary level, foreign investment, international trade, may adversely affect the Company’s activity, financial condition and results of operations.

### 2 - 2 - 3 Environmental Regulations:

The Company is subject to environmental laws and regulations prevailing in the Kingdom of Saudi Arabia under the Presidency of Meteorology and Environmental Protection. Any change or stricter regulations may adversely affect the cement sector in the Kingdom of Saudi Arabia. If the Company is not ready to cope with these variables in regulations, the Company could face fines or more expenses that may affect its financial results.

The work of a Plant of this size could have a negative impact on the environment which may cause greater damages in case it is in the vicinity of the areas close to the plant. The inhabitants of these areas may claim for compensation of damages by requesting relocation of the plant to another place which could cost the Company big amounts of money in the event of legal rulings against the Company in this regard, and that would affect the Company’s activities, financial condition and results of operations.

The quarry license conditions include that the Company should present to the Ministry of Petroleum and Mineral Resources an environmental impact assessment study of three original copies to be prepared by specialists in this field, under which the Company will be committed to take all the means and necessary precautions at all times to

maintain the water sources, environment and wildlife and protect them from any hazardous wastes or environmental damages. The Company has signed an agreement dated 4/11/2013G with Al-Rashid for Soil and Materials to make a study of the environmental impact compatible with the requirements of the Presidency of Meteorology and Environment Protection, in addition to the follow-up with the Presidency of Meteorology and Environment Protection, pending issuance of the certificate which has not been issued until the date this Prospectus. It is expected to be issued before the start of the commissioning phase of production by the Company.

In case of occurrence of any negative impact on the environment not compatible with the respective rules and regulations, the Company will be forced to rectify the situation, which could cost the Company unexpected material losses, and adversely affect the Company's financial results and shares profitability.

#### 2 - 2 - 4 Regulatory Environment:

The Company's business is fully subject to the applicable regulations in the Kingdom. Any changes in the regulatory environment in the Kingdom due to any political, economic, technical or environmental factors, may lead to substantial legal changes that could affect the Company's operations, impede the development of the Company's business with its customers, limit the possibility of distributing its products, lead to increased opportunities for competition against the Company, or cost the Company additional expenses. The Company may deem it is necessary or better to adjust its operations according to the changes in these rules and regulations, which may have negative impact on the Company's business, results of operations, financial conditions, revenues and cash flow.

#### 2 - 2 - 5 Political Risks:

Potential investors should take into account the geographical and political risks prevailing in the Middle East, which may adversely affect their investments in the Company. This requires potential investors to carefully evaluate political instability in countries wherein the Company might seek to sell cement when it is allowed to do so in future. It is known that the occurrence of any political or economic instability may adversely affect the Company's plans, and could affect the Company's results of operations, profits and cash flows.

#### 2 - 2 - 6 Ban on Export of Cement:

In July 2008, the Government of Saudi Arabia banned the export of cement to outside of the Kingdom. The ban has been modified by allowing Saudi producers to export cement, provided that they should sell the cement bag of 50 Kg to the local market in Saudi Arabia for a price of SR 10 per bag. On 12/02/2012G, the Ministry of Commerce and Industry suspended the export of cement and Clinker in compliance with export controls to ensure fulfillment of the needs of the local market, adequacy of supply, and stability of price in the domestic markets. The ban and restrictions on the export of cement have affected sales of Saudi cement producers who export their products to the markets of neighboring countries. In case of lifting the ban in the future, although there is no assurance that these restrictions will be lifted, the Company may not be able to export their products to foreign markets, which may have a negative impact on the Company's financial condition.

#### 2 - 2 - 7 Tariff:

Tariff imposed on imported cement may be changed at any time in order to support the local cement market and construction activities in the Kingdom. This may lead to increase of pressure on cement prices as a result of the abundance of imported cement in the Saudi market. The acceptance of Saudi Arabia's accession to the WTO may lead to removal of tariffs on imported cement, which will lead to reduction of cement prices and adversely and significantly affect the profitability of the companies operating in this sector.

#### 2 - 2 - 8 Interest Rates:

The Company may become vulnerable to higher financing costs in future if interest rates rise significantly, which could affect the Company's profit margins, cash flows, results of operations, and its ability of debt service.

#### 2 - 2 - 9 Risk of Exchange Rate Fluctuations:

It is possible that fluctuations of exchange rate of Saudi Riyal against foreign currency may adversely affect production costs and profits of the Company, if sale or purchase of goods or equipment occurs in currencies other than Saudi Riyal. Higher exchange rate may lead to higher operational costs, which will adversely affect the Company's profits.

## 2 - 2 - 10 WTO Membership:

The Kingdom of Saudi Arabia has become the 149th member of the WTO in on 09/11/1426H, corresponding to December 11, 2005G, and this membership may have impact on market conditions of the Kingdom and negative reflection on the future success of the Company. There will be influence on local producers, given that Saudi membership in the WTO will increase free movement of goods and services between the Kingdom and other WTO members and will put an end to the current protection for local products.

## 2 - 3 Risks related to Shares:

### 2 - 3 - 1 Future Sale of Shares:

Current shareholders will be subject to restriction period starting from the date of commencement of trading of the Company's shares in the stock market ("restriction period") during which they are prohibited from disposition of the shares they own. After the expiration of the restriction period, current shareholders who are subject to restriction can dispose their shares after getting approval from CMA. In addition, the Company currently has no intention of issuing new shares immediately after the expiration of the IPO. However, issuing a large number of shares by the Company or selling a large number of shares by current shareholders after the restriction period may decrease the share price or impact its profitability.

### 2 - 3 - 2 Absence of Prior Market for the Company's Shares and Potential Fluctuation of the Share Price:

Currently, there is no public market for the Company's Shares, and there can be no assurance that an active trading market for the Company's Shares will develop or be sustained after this Offering. If no active market is established for the trading of the Company shares, it may adversely affect the liquidity of trading or the Company's share price. Also, subscribers may not be able to sell shares offered for subscription at the subscription price or at a higher price due to several factors. The price of the Company's shares in the market after the closing of the IPO may be affected by several factors fall under or beyond the control of the Company, including, but not limited to, variations in the operating results of the Company, market conditions or any changes in government regulations. Moreover, the volatility of the market as well as economic conditions can adversely affect the price of the Company shares in the market.

### 2 - 3 - 3 Control of Current Shareholders

Upon completion of the IPO, the current shareholders of the Company will own 50% of the total number of the issued shares (assuming the success of the IPO and the sale of all shares offered for subscription). Accordingly, current shareholders can jointly control all actions, including company policies and dividend distribution, which require the approval of the current shareholders. As such, current shareholders may practice their control in a way not to the favor of other shareholders, or in a way that affects the Company's business, financial condition and operating results.

### 2 - 3 - 4 Dividends Distribution:

Distribution of any dividends in the future by the Company depends on a number of factors detailed later in Section "Dividends Distribution Policy", including, but not limited to, the Company's financial position, analysis of investment opportunities, needs of the Company for reinvestment, cash and capital requirements, business opportunities, market conditions, consideration of restrictions of lenders and general economic climate and other factors. Therefore, the Company cannot provide any assurance that it will distribute dividends, or give any confirmation of the amount that will be distributed in any given fiscal year.

## 3. Market and Sector Overview

### 3 - 1 Introduction

This Prospectus includes information and data on the economy of Saudi Arabia and cement industry, derived from the “Market Study Report” prepared by “Holtec Consulting Private Limited” (hereinafter referred to as “Holtec”) in May 2013 about Portland Cement during the period (2012-2019), in addition to the geological study prepared in July 2013 on the Company’s request. The Prospectus also includes other data taken from public sources such as Ministry of Economy and Planning and Saudi Monetary Agency websites, and National e-Government Portal.

Holtec is an independent consulting company founded in 1967, and has Consulting Accreditation Certificate (ISO) for the provision of consulting services on the cement sector worldwide. It provides marketing and industrial studies, and is regarded an international consultant in various engineering specialties. It is headquartered in Gurgaon, India, has experience specifically in the cement industry sector, and has provided many consulting services to cement companies.

Neither Holtec nor any of its shareholders, Directors or their relatives has any shares or interest of any kind whatsoever in the Company. Holtec has given its written approval for using its report data in this Prospectus, and until the date of this Prospectus has not withdrawn this approval.

### 3 - 2 General Overview on the Saudi Economy

The Saudi economy continued its growth during 2012 supported by Government efforts to introduce structural and organizational reforms, which contributed to building a diversified economic base, increasing the share of nonoil sectors in the economy, creating an investment environment attractive to private sector and foreign investors, increasing employment opportunities for citizens, lowering unemployment, and lowering inflation.<sup>5</sup>

To achieve those objectives, the Government adopted the following effective economic policies that contributed largely to the improvement of economic environment and supported the strategic objectives.<sup>6</sup>

- Fiscal policy that supported economic stability through Government expenditure on economic and social development projects, supporting the role of Government lending institutions such as the Industrial Development Fund, Agricultural Development Fund and as the Real Estate Development Fund to help provide housing to citizens.
- Balanced monetary policy by Saudi Monetary Agency through management of liquidity to keep inflation low. This is in addition to monetary measures to stabilize the exchange rate of Saudi Riyal.
- Investment policy to provide an investment environment favorable to national and foreign investors in order to achieve a balanced development for all Kingdom areas.
- Foreign trade policy to strengthen economic integration, enhance export capabilities for national products, and benefit from membership in World Trade Organization.

#### 3 - 2 - 1 Kingdom’s Main Economic and Financial Indicators for the Period 2009-2012:

The Kingdom is currently undergoing tremendous economic development in line with its ninth development plan for the period (2010-2014). This plan aims to achieve development through expanding the economic base, reducing dependence on the oil resource, reducing disparities in economic development among Kingdom regions through balanced development, exploiting abundant resources in the Kingdom, strengthening strategic partnership between public and private sectors, and providing an environment favorable to foreign investors.<sup>7</sup>

The 9th development plan for the period 2010-2014 emphasized the importance of supporting knowledge economy through the development of education in all stages, expanding vocational and technical training programs to include all Kingdom areas, lowering unemployment, raising the standard of living of citizens and providing them with appropriate housing.<sup>8</sup>

During the period from 2009 to 2012, Government revenues increased sharply at CAGR of 34.8% while GDP at current prices rose at CAGR of 18.3% during the same period. Moreover, the Government was able to reduce the ratio of public debt to GDP to 3.7% in 2012 compared to 14.0% in 2009.<sup>5</sup>

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<sup>5</sup> SAMA 49<sup>TH</sup> Annual Report

<sup>6</sup> 9<sup>th</sup> Development Plan, Ministry of Economy and Planning

<sup>7</sup> SAMA 49<sup>TH</sup> Annual Report

<sup>8</sup> The 9<sup>th</sup> Development Plan for the Ministry of Economy and Planning

**Table 6 Main Economic and Financial Indicators for the Saudi Economy**

Indicator	2009G	2010G	2011G	2012G
Population estimate (in million)	26.66	27.56	28.370	29.20
GDP at current prices (SAR billion)	1609.10	1975.50	2510.70	2666.40
GDP at fixed prices (SAR billion)	993.30	1067.10	1158.50	1217.90
Inflation rate (consumer prices)	4.10	3.80	3.70	2.90
Total money supply N3 (SAR billion)	1028.90	1080.40	1223.60	1393.80
Actual public revenues (SAR billion)	509.80	741.60	1117.80	1247.40
Actual public expenditures (SAR billion)	(596.40)	(653.90)	(826.70)	(873.30)
General budget surplus/deficit (SAR billion)	(86.60)	87.70	291.10	374.10
Ratio of public debt to GDP (%)	14.00	8.50	5.40	3.70

Source: SAMA 49th Annual Report

### 3 - 3 Ninth Development Plan<sup>9</sup>

The Ninth Development Plan covering the period 2010-2014 represents a new stage in the development planning that sought to balance the Kingdom's long – term development aspirations through adopting the following main objectives at the level of Macro-economy:

- Increasing economic growth rate.
- Combating inflation and stabilizing prices.
- Maintaining stability of the exchange rate of the Saudi Riyal.
- Achieving balanced development among all regions of the Kingdom.
- Diversifying the structure of the national economy.
- Increasing contribution of the private sector to the economic development.
- Increasing employment rates of Saudi work force.
- Raising efficiency of markets, particularly the Saudi Stock Exchange.
- Improving the balance of payments.
- Caring for the needy social groups.
- Strengthening economic integration with the states of the Gulf Cooperation Council in particular, with Arab states in general, and with friendly countries

Table (5) compares targeted economic indicators in the 9th Development plan with the corresponding actual indicators in the 8th plan.

**Table 5 Macroeconomic Indicators:**

Indicators	8th Development Plan 2005–2009 (%)	9th Development Plan 2010–2014 (Targeted) (%)
<b>Growth rates</b>		
Real GDP	3.5	5.2
Oil sector	-0.2	1.2
Nonoil sector	4.7	6.3
Exports of goods and services	3.5	4.5

<sup>9</sup> 9<sup>th</sup> Development Plan, Ministry of Economy and Planning



Indicators	8th Development Plan 2005–2009 (%)	9th Development Plan 2010–2014 (Targeted) (%)
Imports of goods and services	17.5	7.7

#### Inflation and employment rates

Inflation rate	3.9	2.4
Employment rate	9.6	5.5

Source: Ministry of Economy and Planning

### 3 - 3 - 1 Construction Sector in the Kingdom

The 9th development plan for the period (2010-2014) aims to adopt policies that will raise the standard of the construction sector and expand its capabilities in all Kingdom regions. The following are the most important policies:

- Promote construction capabilities in all Kingdom areas to achieve an average annual growth rate of 7.2% during the plan period (2010-2014).
- Increase the contribution of construction sector in GDP. The plan target is an average growth rate between 8% and 9% compared to 4.9% during the first 4 years of the 8th Development plan (2005-2009).
- Provide training and increase participation of national work force in various sector jobs. The plan aims to raise national work force contribution in construction sector from 10% during 8th development plan to 15%.
- Encourage qualified local contractors, support small and medium contractors and direct foreign investment in construction activities.

Because of improved economic indicators, the construction sector prospered. Kingdom's imports of building materials grew at an average annual rate of 14.7% during the four years of the 8th Development plan while the average growth rate of Kingdom's exports was more than 16.9%. This is because the Kingdom is the main destination for exports of basic building materials especially cement from neighboring countries, Middle Eastern countries and North Africa. The added value to GDP amounted to 58.8 billion Riyals in 2008 compared to 48.5 billion Riyals in 2004. The construction sector capital assets increased to 154.5 billion Riyals from 74.7 billion Riyals (19.9%).

The increased growth rate in the construction sector will lead to increased demand for building materials including cement.

### 3 - 3 - 2 Development Projects in the Kingdom<sup>10</sup>

There is at the present a construction boom in the Kingdom as a result of the economic policy in the 9th development plan, for which a total budget of 1.4 trillion Riyals was allocated. The cement sector plays an important role in this boom due to the increased demand for cement. The following is a list of important projects:

1. King Abdullah Financial Center
2. Communications and Information Technology Complex
3. King Abdullah International Gardens
4. King Abdullah University for Science and Technology
5. King Abdullah City for Atomic and Renewable Energy
6. Economic Cities
  - King Abdullah Economic City
  - Jazan Economic City
  - Abdulazizbin Musa'ed Economic City
  - Economic Knowledge City
  - King Abdullah Sports City
7. King AbdulazizNew International Airport

<sup>10</sup> National e-Government Portal

**Table 7 Distribution of Targeted Housing Units and Lands Plots by Region in the 9th Development Plan (2010-2014)**

Area	Total housing units (thousand unit)*	Percentage (%)	Residential lands (million m2)	Percentage (%)
Riyadh	225	23.68	63	23.68
Al-Qaseem	45	4.74	12.6	4.74
Eastern area	120.5	12.68	33.7	12.67
Aseer	63	6.63	17.6	6.62
Tabuk	32.5	3.42	9.1	3.42
Hail	25	2.63	7	2.63
North borders	16.5	1.74	4.6	1.73
Jazan	42.5	4.47	11.9	4.47
Najran	24.5	2.58	7	2.63
Al-Jouf	18.5	1.95	5.1	1.92
<b>Targeted areas</b>				
<i>Makkah Al-Mukarramah</i>	253	26.63	71	26.69
<i>Al-Madina Al-Munawarah</i>	65.5	6.89	18.3	6.88
Al-Baha	18.5	1.95	5.1	1.92
<b>total targeted areas</b>	<b>337</b>	<b>35.47</b>	<b>94.4</b>	<b>35.49</b>
<b>Grand total*</b>	<b>950</b>	<b>100.00</b>	<b>266</b>	<b>100.00</b>

Source: Ministry of Economy and Planning

\*Add to the total 50,000 units to be constructed by Government organizations for their employees, which will require 14 million m2 of residential land

Targeted areas will be allocated 35.47% and 35.49% of total housing units and residential lands respectively. Makkah area will be allocated about 25% of total housing units and residential lands.

### 3 - 3 - 3 Housing Sector in the Kingdom<sup>11</sup>

The housing sector is extremely important in the Kingdom. The Government has established the Ministry of Housing to be in charge of developing comprehensive housing strategies, and adapting these strategies as necessary to meet the needs of citizens for housing. The Ministry of Housing seeks to increase the supply of residential lands in order to reduce the gap between supply and demand. It will also concentrate on raising home ownership rate, and diversifying home financing methods from both the public sector and the private sector.

Because of the high demand for housing, the role of Ministry of Housing and Real Estate Development Fund has become more important, and several Royal Orders were issued in this regard on 18/03/2011G including the following:

- The Ministry of Housing will build 500,000 housing units in all areas of the Kingdom, and an amount of 250 billion Saudi Riyals were allocated.
- Raising the maximum limit of real estate loan from 300,000 to 500,000 Saudi Riyals.

<sup>11</sup> 9<sup>th</sup> Development Plan, Ministry of Economy and Planning



The 9th Development Plan calls for the provision of one million housing unit to meet 80% of projected demand as follows:<sup>7</sup>

- Real Estate Development Fund will finance the building of 109,000 housing units by providing about 90,000 loans in various areas of the Kingdom.
- Several Governmental organizations will build about 50,000 housing units for its employees.
- The private sector will finance and build 775,000 housing units in various areas in the Kingdom. The Council of Ministers has approved real estate mortgage and financing regulations, which will provide additional financing choices for the citizen to enable him to own his house. These regulations will also strengthen the role of the banking sector and companies in meeting the needs of both real estate market and housing market.

The increased growth in the housing sector, the expected boom in housing projects due to Governmental support and the strengthening of private sector role as a result of the Real Estate Mortgage law will definitely propel growth in the Kingdom's construction sector.

### 3 - 4 Overview of Cement Sector in the Kingdom<sup>12</sup>

The cement sector in the Kingdom is supported by the Government through low-priced fuel from Saudi Aramco. Moreover, the availability of raw materials such as limestone gives cement companies competitive cost advantage in comparison with regional producers. At the present, there are 14 companies with an estimated production capacity of 58.73 million tons a year during 2012.

#### 3 - 4 - 1 Cement Consumption in the Kingdom

**Table 8 Cement Consumption in the Kingdom during 2002 -2012**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Consumption (million ton)	21.0	22.6	24.1	25.4	24.8	27.1	30.3	36.7	41.2	47.9	53.4
Consumption growth	-	8%	7%	5%	%-2	9%	12%	21%	12%	16%	12%

Source: Holtec

Since 2007, the cement sector in the Kingdom has witnessed steady growth because of increased infrastructure and housing projects, which contributed significantly to high demand for cement. The highest growth rate for the cement sector was 21% in 2009 compared to 2008, while the CAGR for cement consumption was 15% during the period 2007 to 2012.

The following are growth drivers in the cement sector:

- Building and construction

**Building:** this is the most important growth driver for cement, as building constitutes 90% of total cement consumption. It is worthwhile to mention that 60% of this 90% goes to residential building while the remaining 30% goes to commercial building.

- Infrastructure

**Infrastructure:** although the infrastructure is responsible for only 10% of total cement consumption, it is still a growth driver for cement consumption. The infrastructure includes urban development in Kingdom areas, road pavement, power stations, water treatment plants and sanitary drainage.

#### 3 - 4 - 2 Future Demand Projections<sup>13</sup>

Based on future projections for the cement sector in the Kingdom, demand will grow at CAGR of 4% during the period (2014 – 2019). The housing sector will be the main growth driver for cement demand due to Government support as reflected in its announcement in March 2011 about plans to build 500,000 housing units.

<sup>12</sup> Market study report (Holtec)

<sup>13</sup> Market study report (Holtec)

**Table 9 Demand Growth Projections 2014-2019**

Year	2014	2015	2016	2017	2018	2019
Projected demand (million ton)	64.0	69.8	72.2	74.1	75.9	77.9
Demand growth		9%	3%	3%	2%	3%

Source: Holtec

### 3 - 4 - 3 Cement Production in the Kingdom11

There are at the present 14 active cement companies with actual annual production of 53.96 million tons and production capacity of 58.73 million tons as in year 2012. Average capacity utilization for cement companies was 92% in 2012.

**Table 10 Production of Cement Companies in the Kingdom in 2012**

Company	Area	Actual production (million ton)	Production capacity (million ton)	Production capacity utilization %	Product type
Al-Yamama Cement Company	Central	6.35	6.32	100	Ordinary and Sulfate resistant Portland
Saudi Cement Company	Eastern	8.71	8.67	100	Ordinary and high Sulfate resistance Portland
Eastern Cement Company	Eastern	3.37	3.16	107	Ordinary and Sulfate resistant Portland
Al-Qassim Cement Company	Central	4.18	4.21	99	Ordinary and resistant Portland, finishing cement, Pozzolana
Yanbu Cement Company	Western	5.95	8.33	71	Ordinary, resistant, Pozzolana Portland
Arabian Cement Company	Western	4.22	4.50	94	Ordinary, resistant and Pozzolana Portland
Southern Cement Company	Southern	7.28	7.89	92	Ordinary and Sulfate resistant Portland
Tabuk Cement Company	Western	1.60	1.40	114	Ordinary, resistant and Pozzolana Portland
Riyadh Cement Company	Central	3.79	3.82	99	White, ordinary and Sulfate resistant Portland
Najran Cement Company	Southern	2.51	3.13	80	Ordinary and Sulfate resistant Portland
City Cement Company	Central	1.80	1.60	112	Ordinary and Sulfate resistant Portland

Company	Area	Actual production (million ton)	Production capacity (million ton)	Production capacity utilization %	Product type
Northern Rejoin Cement Company	Northern	1.07	2.00	54	Ordinary and Sulfate resistant Portland
Al-Jouf Cement Company	Northern	1.53	1.74	88	Ordinary, and sulfate resistant Portland
Al-Safwa Cement Company	Western	1.62	1.96	83	Ordinary and Pozzolana Portland
<b>Total</b>		<b>53.96</b>	<b>58.73</b>	<b>92</b>	-

Source: Holtec

### 3 - 4 - 4 Cement Production Cost in the Kingdom Of Saudi Arabia<sup>14</sup>

The table below shows the cost of producing one ton of Portland Cement for the big cement producers in the Kingdom of Saudi Arabia.

**Table 11 Cement Production Cost for the Big Cement Producers in the Kingdom of Saudi Arabia**

Company	Production cost (SR per ton)
Yamama Cement Company	117
Saudi Cement Company	118
Eastern Cement Company	118
Qassim Cement Company	108
Yanbu Cement Company	137
Arabian Cement Company	165
Southern Area Cement Company - Jizan	128
Southern Area Cement Company - Bisha	128
Southern Area Cement Company - Tuhama	134
Tabuk Cement Company	129
Riyadh Cement Company	117
Najran Cement Company	128
Al-City Cement Company	117
Northern Rejoin Cement Company	129
Al-Jouf Cement Company	129
Hail Cement Company	108
Al-Safwa Cement Company	125

Source: Holtec

<sup>14</sup> Market study report (Holtec)

### 3 - 4 - 5 Market Share of Cement Companies in the Kingdom

Saudi Cement Co. and Southern Cement Co. have the biggest share of the cement market, 16.1% and 13.5% respectively, compared to other companies working in the same sector during 2012.

**Table 12 Cement Companies Market Share 2012**

Company	Region	Percentage (%)
Saudi Cement Company	Eastern	16.1
Southern Cement Company	Southern	13.5
Yamama Cement Company	Central	11.8
Yanbu Cement Company	Western	11.0
Arabian Cement Company	Western	7.8
Qassim Cement Company	Central	7.7
Riyadh Cement Company	Central	7.0
Eastern Cement Company	Eastern	6.2
Najran Cement Company	Southern	4.6
-City Cement Company	Central	3.3
Tabuk Cement Company	Northern	3.0
Al-Safwah Cement Company	Western	3.0
Al-Jouf Cement Company	Northern	2.8
Northern Rejoin Cement Company	Northern	2.0
<b>Total</b>		<b>100</b>

Source: Holtec

### 3 - 5 Historical Cement Prices<sup>15</sup>

The increase in demand during the previous economic prosperity, which started at the end of 2005 lead to imbalance between supply and demand and caused increased cement prices in the following years:

**Table 13 Historical Cement Prices**

Year	Price of ton (SAR)
2001	210
2002	210
2003	210
2004	210
2005	220
2006	230

15 Market Study Report (Holtec)

Year	Price of ton (SAR)
2007	240
2008	242
2009	225
2010	217
2011	231
2012	240
2013	240

Source: Holtec

### 3 - 6 Industry Characteristics

#### 3 - 6 - 1 Product Mix

Ordinary Portland Cement (OPC) is the most common type of cement in the Kingdom as it accounts for 75% of consumed cement compared to 15% for Sulfate Resistant Cement (SRC) used in coastal areas where foundations are deep and soil is exposed to sulfate hazards, and 10% for Pozzolana Portland Cement (PPC) that is available in the western region.

The above ratios are different in the western region where Portland Cement ratio is 60% and Pozzolana Portland Cement ratio 25% while the Sulfate resistant cement ratio is the same.

**Table (14) Distribution of Cement Type Consumption in the Kingdom during 2012**

Area	Western region (%)	Rest of Kingdom areas (%)
Portland Cement (OPC)	60	75
Sulfate Resistant Cement (SRC)	15	15
Pozzolana Portland Cement (PPC)	25	10

Source: Holtec

#### 3 - 6 - 2 Packaging

The ratio of bulk cement in the Kingdom is 65% and bagged cement 35%. However, in the western region bulk cement ratio is 75% and bagged cement 25%. The difference is attributed to the huge projects carried out in the western region such as King Abdulaziz International Airport expansion and King Abdullah Economic City.

#### 3 - 6 - 3 Distribution and Logistic Support

The distributors are classified as big distributors such as Rashid Al-Rashid and small distributors such as trucks owners. Distributors carry the cement from the plant to the final consumer or customer. For ready concrete, customers transport the cement from Plant to their sites by their own means of transportation.

Cement is distributed by direct selling or by distributors. In the western region ratio is 55% for direct selling, and 45% for distributors, while in the rest of Kingdom areas the ratio is 45% for direct selling and 55% for distributors.

### 3 - 7 Cement Needs by Cement Type<sup>16</sup>

The following table shows cement needs by cement type in the Kingdom in general and in the targeted Western Province in particular.

**Table (15) Cement Needs**

Type	Western region (%)	Rest of Kingdom regions (%)
Ready-Mix concrete	65	55
Cement slabs	5	5
Bricks	5	5
<b>Bagged</b>	<b>25</b>	<b>35</b>

Source: Holtec

### 3 - 8 Cement Production Costs

The cost of producing a ton of cement ranges between SR108 and SR165.

### 3 - 9 Cement Prices and Export Restrictions

The Ministry of Commerce and Industry set fixed prices for cement in 2012 in order to prevent manipulation in the black market and to promote growth in the construction sector. The price of Portland Cement and Pozzolana Portland Cement was set at SR240/ton, and Sulfate resistant cement at SR260/ton<sup>17</sup>. It is worthwhile to mention that the cement prices are the same whether it is bulk or bagged.

It is worthwhile to mention that the Custodian of Two Holy Mosques has given directions to officials to take necessary measures in order to meet the growing demand for cement due to the construction boom in the Kingdom. Cement factories are required to import an additional 10 million tons to meet market needs, in addition to their current production of cement. Moreover, 3 to 4 new cement factories with annual production capacity of 12 million tons are to be built.<sup>17</sup>

### 3 - 10 Targeted markets

Umm Al-Qura Cement Company targets Makkah, Al-Madinah, and Al-Baha due to increased demand for cement in these areas and its proximity to the Plant, which gives the Company a competitive advantage compared to other cement companies. The Company plans to market 70% of its total production in Makkah, in addition to 20% and 10% in Al-Madinah, and Al-Baha respectively.

#### 3 - 10 - 1 Cement Consumption in Targeted Markets

Among targeted regions for Umm Al-Qura Cement Company, Makkah region accounts for the major portion of cement consumption. In fact, Makkah region accounted for 23% of cement consumption in the Kingdom during 2012 due to the ongoing construction boom in this region especially the expansion of both of the two holy Mosques Makkah and Al-Madinah. Al-Madinah and Al-Baha accounted for 8.8% and 2.4% respectively.

**Table 16 Cement Consumption in Targeted Markets**

Region	Cement consumption in 2012 (thousand ton)	Cement consumption in 2012 (%)
Makkah	12,289	23
Al-Madinah	4,712	8.8
Al-Baha	1,281	2.4
<b>Total</b>	<b>18,282</b>	<b>34.2</b>

Source: Holtec

Note: Consumption percentage is calculated on the basis of total cement consumption in the Kingdom

<sup>16</sup> Market study report (Holtec)

<sup>17</sup> Riyadh newspaper issue 16368

### 3 - 10 - 2 Competition in Targeted Markets

The competitiveness of cement companies depends on two main factors: production cost, and transportation cost from Plant to targeted markets. The most important competitors in the western region are Safwa Cement and Arabian Cement. Moreover, Umm Al-Qura Cement will also face competition from Yanbu Cement in Al-Madinah and Southern Cement in Al-Baha.

### 3 - 11 Conclusion

The Saudi Cement market has been witnessing a steady growth due to increased infrastructure and housing projects as well as other economic activities that drive cement consumption. In fact, the growth of demand has exceeded the growth of supply. The Government is working hard to meet the growing demand for cement to ensure smooth continuation of the current construction boom in the Kingdom. Cement factories are required to import 10 million tons of cement in addition to their current production levels. Moreover, 3 to 4 new cement plants will be built to add another 12 million ton of production capacity.

## 4. The Company

### 4 - 1 Company Overview

Umm Al-Qura Cement Company was established in the Kingdom of Saudi Arabia with headquarters in Riyadh, Sulaimaniyah District, Al-Tahliyah Street, P.O. Box 10182, Riyadh 11433, as a Saudi joint stock company in accordance with the Ministerial decision No. 214/Q, dated 25/08/1434 H (corresponding to 04/07/2013), Commercial Registration No. 1010382514, dated 28/08/1434 H (corresponding to 07/07/2013). The Company's business is to produce Portland Cement of all types in accordance with the raw material quarry license No. Q/2 dated 01/01/1433 to exploit raw limestone, and produce White Cement in accordance with the raw material quarry license No. Q/1 dated 01/01/1433H to exploit raw limestone; both licenses were issued by the Ministry of Petroleum and Mineral Resources. Current Company Capital is two hundred and seventy five million (275,000,000) Saudi Riyals, fully paid in cash, divided into twenty seven million and five hundred thousand (27,500,000) ordinary shares of equal value, at par value of ten (10) Saudi riyals per share.

This is a newly founded Company. It is currently building an integrated Plant to produce Portland Cement with an annual production capacity up to 1.98 million tons of Clinker (based on 330 workdays), equivalent to 6000 tons per day. The Plant will produce 2.22 million tons of cement a year (based on 330 workdays), equivalent to 6,735 tons of cement per day. The Plant will produce two types of Portland Cement: Ordinary Portland Cement ("OPC"), 75% and Pozzolanic Portland Cement ("PPC") 25% of production.

It is expected that the Plant will be completed and commercial production will begin in the first quarter of 2016. The Company will complete in the third quarter of 2015 the necessary feasibility study for White Cement license exploitation. Umm Al-Qura Cement Plant is located in Hurat Hadon(2), near Radwan village, Taif Governorate, Makkah Region.

In accordance with the Company's Articles of Association and By-Laws and terms of license issued by the Ministry of Petroleum and Mineral Resources, the Extraordinary General Meeting held on 25/04/1435H (corresponding to 25/2/2014G) approved the proposal to raise the Company's Capital by an amount of two hundred and seventy five million (275,000,000) Saudi Riyals, representing 50% of the of the Share Capital (after Offering), through Initial Public Offering ("IPO"). After IPO, the Share Capital of the Company will become five hundred fifty million (550,000,000) Saudi Riyals, divided into fifty five million Ordinary Shares, with a par value of ten (10) Saudi Riyals per Share. Founding shareholders have waived their preemptive right to subscribe for the new.

### 4 - 2 Most Important Developments:

**Table 17 Most Important Developments**

Date	Event
27/11/2011G	Winning the White Cement production license No. Q/1, and Portland Cement license No. Q/2 by AbdulazizOmran Al-Omran and Partners*
2/4/2012G	Signing of a contract with Holtec for geological study of quarry
5/3/2013G	Signing of a contract with consultant AustroPlan for supervision over the plan
15/3/2013G	Signing of a contract with the contractor - Sinoma
13/5/2013G	Starting date of Plant building contract with Sinoma
25/5/2013G	Notarization of Company articles of associations by Notary Public, Ministry of Commerce and Industry
10/6/2013G	Company Constitutional Meeting convened
4/7/2013G	Company is incorporated as a closed joint stock company
25/2/2014G	Extraordinary General Meeting convened and approved the Share Capital increase

Source: The Company

\* Both licenses were granted to AbdulazizAl-Omran and Partners, which submitted the bid. UACC was established after granting of the licenses, and thus the Ministry of Petroleum and Mineral Resources will transfer ownership of the licenses based on the terms of the Quarry License to UACC after offering the Shares for public subscription, but there is no specified period for license transfer to the Company.



### 4 - 3 Purpose of Company

The following are the Company's purposes in accordance with its Commercial Registration:

- Produce Portland Cement of all types
- Produce White Cement
- Manage and operate Portland and White Cement Plant
- Contracting of general buildings, construction works, mechanical and electrical works.

The Company has started building of the Portland Cement plant.

#### 4 - 3 - 1 Company Vision

To be the preferred choice for customers, investors, and employees.

#### 4 - 3 - 2 Company Mission

Create sustainable value and maintain its growth for the sake of customers, shareholders and employees.

#### 4 - 3 - 3 Company Strategy

UACC's strategy is built based on its own distinguishing characteristics. The Company will strive to have competitive advantages in all of its main sectors in order to create sustainable value by adopting the following strategies:

##### **Safety, environment, human resources, and information technology:**

- Compliance with the highest standards of safety and environment protection.
- Development of human resources through national work force training and education.
- Continuous upgrading of information technology, equipment and systems.
- Creating a working environment with a highly professional and productive industrial culture.

##### **Operation:**

- Monitoring and control system of high standards to maintain high quality of work and product.
- High productivity of Production lines.
- High Readiness of production lines with advanced maintenance systems

##### **Customers:**

- Continuous and constant meeting of customers' needs.
- High quality product on constant basis.
- High-speed service.
- Competitive prices.

The Company will sell its products to customers and distributors from the packaging station located in the Company's production facility. The percentage of bulk and bagged cement will depend on market needs and requirements. However, the Company will conduct a detailed marketing study prior to operation and commercial production.

##### **Financial return**

- Maximize return on sales
- minimize production costs.
- Maximize utilization of assets.

##### **Adoption of the above strategies will create added value as follows**

- A sustainable organization with a positive image.
- A productive organization with highly profitability.
- A solid organization that is capable of rapid growth and development.

## 4 - 4 Major Shareholders

**Table 18: Major Shareholders holding directly 5% or more of Company Shares**

Shareholder	Before offer		After offer	
	Number of shares	Ownership %	Number of shares	Ownership %
Villa International Projects Trading Company	5,135,000	18.67	5,135,000	9.34
AbdulazizOmran Al Omran and Partners Company	2,514,703	9.14	2,514,703	4.57
Hamad Ibraheem Hamad Al Abdullatif	2,085,000	7.58	2,085,000	3.79
Al Mada Al Awal Holding Company	1,500,000	5.45	1,500,000	2.73

Source: The Company

Note: Percentages are rounded.

## 4 - 5 Portland Cement Plant

### 4 - 5 - 1 Description of the Plant

The Company is currently building an integrated Plant to produce Portland Cement with an annual production capacity up to 1.98 million tons of Clinker (based on 330 workdays), equivalent to 6000 tons a day. The Plant will produce 2.22 million tons of cement a year (based on 330 workdays), equivalent to 6,735 tons of cement a day. The Plant will produce two types of Portland Cement: ordinary Portland Cement 75% and Pozzolana Portland Cement 25% of production.

Sinoma International has completed basic engineering designs for the Plant, about 50% of detailed engineering designs, and about 30% of deep foundation works on site. Work has started on building Plant equipment in China, and two shipments of materials were delivered for Plant installations, including the delivery of 2500 tons of iron plates, which will be formed on site.

It is expected that the Plant will be completed and commercial production will begin in the first quarter of 2016. The Company will complete in the third quarter of 2015 the necessary feasibility study for White Cement license exploitation and commercial production. Um Al-Qura cement Plant is located in Hurat Hadon(2), near Radwan village, Taif Governorate, Makkah Region.

### 4 - 5 - 2 Project Area

The Plant will be located in Hurat Hadon(2) on an area of approximately 24.5 square kilometers, to be utilized for the production of Portland Cement (Ordinary Portland Cement and Pozzolana Portland Cement).

### 4 - 5 - 3 Plant Investment Costs

Investment cost includes all cost items from the granting of both licenses for the exploitation of raw materials until the beginning of commercial production. Therefore, investment cost of the Plant includes the cost of fixed assets (machines, equipment and utilities – power plant, etc.). It also includes the IPO expenses in addition to the initial working capital the Plant needs for the first cycle of operation and pre-foundation expenses.

Machinery, equipment, buildings, and civil construction costs constitute the bulk of investment cost in the cement industry. This industry requires high capital costs due to the diversified and specialized nature of its machines and equipment, which are all of the heavy duty type. Moreover, the required construction and civil works are of special nature and include heavy concrete bases/footings appropriate for the type of machines and equipment used in this industry.

#### 4 - 5 - 4 Estimates of Plant Investment Cost

The Plant investment cost is estimated at SR1,289,067,058, to be used as follows:

**Table 19 Elements of Investment Cost**

Elements of Plant investment cost (SAR)	
Building contract with Sinoma	803,062,500
Mobile mining equipment	42,525,000
Power sub-station	152,510,068
Housing and social facilities	75,000,000
Contracts for roads surrounding the Plant	23,486,000
Plant site monitoring and supervision	11,785,600
Building deep foundations	25,205,660
Plant needs for working capital	78,002,245
Subscription expenses	12,000,000
Financing charges	56,400,000
other	9,089,985
<b>Total</b>	<b>1,289,067,058</b>

Source: The Company

The following table shows financing sources for Plant investment cost

**Table 20 Capital Investment Financing Sources**

Plant investment financing sources (Saudi Riyal)	
Current Share Capital	275,000,000
Offering Proceeds	275,000,000
Financing from Saudi Industrial Development Fund	678,000,000
Bank financing	61,067,058
<b>Total</b>	<b>1,289,067,058</b>

Source: The Company

#### 4 - 6 Plant Interim Costs

##### 4 - 6 - 1 Contract with Sinoma International

The Company signed a contract with Sinoma International on 15/03/2013 for building Umm Al-Qura cement Plant on a turnkey basis in Hurat Hadon(2) in Radwan Village, Taif Governorate, Makkah. Sinoma was chosen, based on both commercial and technical considerations, from among four companies that were invited by Abdulazizbin Omran Al-Omran and Partners Company to bid for construction of the Plant, which was completed on price competition basis. The Contract also includes Plant support facilities including water tanks, water treatment plant, building four crude oil tanks (each has a capacity of 5000 m3) in accordance with Aramco specifications and paving all streets

within the Plant. The Company expects commercial production to start in the first quarter of 2016. The Contract value is SAR 803.1 million Saudi Riyal (US\$ 214.2 million) distributed as follows:

**Table 21 Contract with Sinoma**

Item	Value (Saudi Riyal)
Engineering designs and Plant equipment delivery	609,210,195
Building and civil works	193,852,305
<b>Total Plant Contract Amount</b>	<b>803,062,500</b>

It is worthwhile to mention that Sinoma International is a Chinese company with operations in more than 60 countries around the world. In 2006, Sinoma opened its branch in Saudi Arabia, and became in charge of operating production lines for a number of cement companies in the Kingdom.

The contract covers the following main items, which were estimated by Austroplan Austrian Engineering GmbH (“Austroplan”), tender specifications consultant, and will be delivered by Sinoma International:

- Extraction and limestone crushing: a crusher with a capacity of 1200 tons/hr. to crush limestone (high/low concentration) in the quarry will be delivered and installed. After extraction of limestone (high/low concentration) from the quarry by conventional mining methods (excavation and blasting or extraction using mechanical equipment), it will be transported to crusher by trucks and then unloaded by specialized equipment.
- Crushing and transporting corrective materials (iron ore and bauxite): a crusher with capacity 100 ton/hr. will be delivered and installed for crushing iron ore and bauxite, along with delivery and installation of conveyor belts from the crusher to the storage yard in the Plant.
- Crushing additional materials “gypsum”: a crusher (with capacity 100 tons/hr.) for crushing gypsum will be delivered and installed, along with the delivery and installation of conveyor belts from the crusher to the storage yard in the Plant.
- Main raw materials storage and transportation: two warehouses with a capacity of 55,000 and 22,000 tons will be built for the storage of all raw materials crushed and mixed in the required proportions (limestone, iron ore and bauxite).
- Preparation of primary raw materials: raw material mill with all motors and belts will be delivered and installed. Crushed Raw materials arrive from storage site to primary raw material mill for drying and milling with a production capacity 480 tons/hr. One silo will be delivered and built to store milled materials with a capacity of 30,000 tons.
- Kiln and cooler: all equipment for Clinker production including the cooler, kiln and calciner (towers) will be delivered. Kiln is the main part of the Plant. It is an oblique cylindrical tube in a horizontal position which revolves slowly. Its length is 72 meters, width 5.2 meters. It is provided with multispeed motors, and lined with firebrick to keep heat inside and with anti-melting materials. It uses crude fuel oil as energy source.
- Cement milling: two tubular cement mills with all their pieces of equipment and with a capacity of 150 tons/hr. each will be delivered and installed. Gypsum will be added to Clinker and milled in these mills.
- Cement storage and delivery: 4 concrete silos will be delivered, installed and built with a capacity of 15,000 tons each for storage of ready cement for delivery to customers either bulk or bagged per demand.

#### 4 - 6 - 2 Interim Payments:

In accordance with contract signed with Sinoma, and based on Company management estimates of completed work in each quarter, the following is an estimate of staged payments for building the Plant in accordance with the terms of contract signed by both parties:

**Table 22 Staged Payments**

Time period	Cost (million Saudi Riyal)	Time period	Total year cost (million Saudi Riyal)
Plant payments until 31 Dec 2013	123.2	2013G	123.2
First quarter 2014	73.2	2014G	462.1
Second quarter 2014	138.0		
Third quarter 2014	159.2		
Fourth quarter 2014	91.7		
First quarter 2015	52.7	2015G	220.5
Second quarter 2015	87.5		
Third quarter 2015	-		
Fourth quarter 2015 (final payment)	80.3		
<b>Total Sinoma Contract</b>	<b>803.1</b>		<b>803.1</b>

Source: The Company

#### 4 - 6 - 3 Power plant (Substation)

The Company is currently negotiating with several international companies for the building of a power plant at an estimated cost of SR152,510,068. The Company has received several bids, and is currently negotiating with these companies. However, no contract has been signed with any of these companies until the date of this Prospectus.

#### 4 - 6 - 4 Housing

The Company considers the social aspect of employees life extremely important, and intends to provide them with appropriate housing. It is estimated that there will be 360 employees, and the housing complex will be built on an area of 40,000 m2 at an estimated cost of SR75,000,000. The housing complex will be owned by the Company, and will be available to all single and married employees. It will have all facilities as necessary to enable employees to have an integrated social life. The Company has not received any bid regarding the building of the housing complex, and has not signed any contract with any developer until the date of this Prospectus.

#### 4 - 6 - 5 Mobile Mining Equipment Delivery Agreement

The Company intends to sign an agreement with a specialized company for the delivery of mobile mining equipment for the Plant at an estimated cost of SR42,525,000. However, the Company has not received any bid, and has not signed any agreement in this regard until the date of this Prospectus.

#### 4 - 6 - 6 Agreement for Building Roads around the Plant

During 2013, the Company built a temporary road to the Plant site by a local contractor at a cost of SAR 576,000. However, the Company intends to sign another agreement with a specialized company to build roads around the Plant at an estimated cost of SR22,910,000. The Company has not received any bids and has not signed any contract in this regard until the date of Prospectus.

#### 4 - 6 - 7 Agreement with Saudi BAUER Foundation Contractors Ltd.

On 17/12/2013 The Company signed with Saudi Bauer Foundation Contractors a contract to build deep foundations to strengthen the soil on which the Plant will be built at a cost of SR25,205,660, and the work is progressing according to plan.

#### 4 - 6 - 8 Agreement for the Provision of Monitoring and Supervision over Plant Site

This agreement was signed with AUSTROPLAN Austrian Engineering GmbH on 05/03/2013 to provide monitoring and supervision consultative service for the cement Plant project at a cost of SAR 11,785,600.

### 4 - 7 Company Products and Production Capacity

Umm Al-Qura Cement Company will produce two types of cement:

- Ordinary Portland Cement: an end product of cement. It is a common type of cement used for general building purposes such as footings, ceilings and walls. It will constitute 75% of the Company total cement production.
- Pozzolana Portland Cement: an end product of cement. Pozzolana material is added to Clinker in addition to gypsum. It is characterized by its resistance to breakage for long periods in comparison with Ordinary Portland Cement. It is used for all building purposes and in concrete ingot. It will constitute 25% of the Company total cement production.

As any new Plant, Umm Al-Qurra Cement Plant will require some time to reach maximum production capacity. Therefore, the Company expects production to begin in the first quarter of 2016 with a production capacity up to 80% in the first year, and to achieve maximum production capacity in the second year of production.

**Table 23 Volume of the Company Products based on its Production Capacity**

Operation year	Annual Production Capacity						
	Operation percentage	OPC (MM ton)	%	PPC (MM ton)	%	Grand Total (MM ton)	%
2016 (330 workdays)	80%	1.33	75%	0.45	25%	1.78	100%
2017 and onwards (330 workdays)	100%	1.66	75%	0.56	25%	2.22	100%

Source: The Company

#### 4 - 7 - 1 Raw Material Ratios

Clinker consists of several raw materials as follows:

- Highly concentrated limestone
- Low concentrated limestone containing the following primary materials:
  - Medium concentrated limestone
  - Low concentrated limestone
  - Marlstone
- Bauxite
- Iron ore

**Table 24 Percentage of Raw Materials in Clinker Manufacturing**

Primary materials	Percentage (%)
Highly concentrated limestone	30.0
Medium concentrated limestone	11.5
Low concentrated limestone	42.0

Primary materials	Percentage (%)
Marlstone	13.71
Bauxite	1.465
Iron ore	1.325

Source: Holtec

#### 4 - 7 - 2 Raw Materials Reserves

**Table 25 Raw Materials Reserves**

Material	Reserves (million ton)	Ratio of raw material in end product	Annual needs of raw materials (million ton)	Years of available raw material reserves
Highly concentrated limestone	21.85	30%	0.966	23
Medium concentrated limestone	6.71	11.5%	0.37	24
Low concentrated limestone	30.79	42.0%	1.352	23
Marlstone	63.21	13.71%	0.441	144
Iron ore	Unavailable on site (delivered)	1.325%	-	-
Bauxite	Unavailable on site (delivered)	1.465%	-	-

Source: Holtec

#### 4 - 7 - 3 Transporting Raw Materials Unavailable at Plant Site

The Company will purchase other raw materials unavailable on the Plant site including iron ore, Bauxite, gypsum, Pozzolana, crude oil from local vendors. The following table shows the cost of these materials delivered on Plant site.

**Table 26 Raw Material Cost**

Material	Location	Distance from Plant (km)	Cost of delivering a ton on Plant site (Riyal)
Iron ore	Wadi fatma near Jeddah	150	153
Bauxite	Tuwaiq area near Riyadh	650	160
Gypsum	Hurra area near Jeddah	300	66
Pozzolana	Taif	150	30
Crude oil	Jeddah refinery, Jeddah	250	187.5

Source: The Company

#### 4 - 7 - 4 Production Process

The production process consists of several successive operational stages as follows:

1. Raw materials extraction from quarries: in this stage limestone (high/low concentration) is extracted from quarry using conventional mining methods (excavation and blasting or extraction with mechanical equipment), and transported to crushers by trucks and specialized equipment.
2. Raw material crushing: limestone (high/low concentration) is crushed by crusher to 75 mm. Other primary materials (iron ore and bauxite) are crushed in the corrective material crusher.
3. Transporting raw materials: raw materials and other primary materials are transported after crushing to covered storage yards by conveyor belts where mixing and homogenization process is done.
4. Milling and drying: raw materials and other primary materials are transported to the mill for milling and drying to complete the materials homogenization process, and then stored in material silo of capacity 30,000 tons.
5. Burning to produce Clinker: materials are burned through the preliminary heater and kiln in order to calcinate materials at temperature 850 centigrade in the preliminary heater and 1350 centigrade in revolving kilns to obtain burned Clinker.
6. Clinker cooling: burned Clinker passes through coolers to lower its temperature to 70 degrees centigrade, and Clinker material is stored in Clinker silo of capacity 60,000 tons.
7. Cement milling: after completing the process of Clinker production, gypsum is added to both ordinary Portland Cement and Pozzolana Portland Cement in equal proportion, and then Pozzolana is added to obtain Pozzolana Portland Cement. The following table shows proportion of each material in final cement.

**Table 27 Proportions of Materials in end Cement Products**

Raw materials ratio	Ordinary Portland Cement (%)	Pozzolana Portland Cement (%)
Clinker	95	75
Gypsum	5	5
Pozzolana	-	20

Source: Holtec

8. Cement storage: After milling, the cement is stored in cement silos (4x15,000 tons).
9. End Product packaging and transportation: Cement is packaged in 50 kg bags or as bulk cement transported in cement tankers of Company customers.

#### 4 - 8 White Cement Plant

UACC is currently concentrating its efforts on completing the construction and building of Portland Cement Plant located in Hurat Hadon(2) because of its huge size compared with White Cement Plant whose feasibility study will be completed in the third quarter of 2015 in order to utilize White Cement License. If feasibility study is completed, and it shows that utilizing or operating the White Cement license is not feasible, then the Ministry of Petroleum and Mineral Resources may terminate the license.

#### 4 - 9 Competitive Advantages

The Company enjoys the following competitive advantages:

##### 4 - 9 - 1 Geographical location

The Company's plant is strategically located. Hurat Hadon(2) is located at 11 km from the southeast of Radwan village, Taif Governorate, Makkah. It is also located at a distance of 130 km to the northeast of Taif and the Plant site is well connected with the Riyadh - Taif highway. Limestone and Marlstone are available in abundant quantities in this area, which constitute 83.5% and 13.71% of cement product respectively.



#### 4 - 9 - 2 Availability of Raw Materials

Based on geological tests conducted by Holtec about with regard to searching for natural raw materials used for industrial purposes, the most important locations of basic raw materials for the cement industry especially limestone have been determined as follows:

- Limestone is available in Hurat Hadon(2) near Radwan village, Taif Governorate, Makkah, with reserves estimated at 59.35 million tons. Limestone reserves determine the rated (economic) term of the Plant and its continuity. The Company has obtained the mining license to exploit these reserves from the Ministry of Petroleum and Mineral Resources.
- Marlstone with total reserves of 63.21 million tons within Hurat Hadonarea near Radwan village.
- Gypsum in Harraa' area near Jeddah, 300 km away from the plant site.
- Iron ore in Wadi Fatima near Jeddah, 150 km away from the Plant site.
- Bauxite in Tuwaiq in Riyadh region, 650 km away from Plant site.
- Pozzolana, which is volcanic ash, is available in good quantities in Makkah region in general, 150 km away from the Plant site.

#### 4 - 9 - 3 Product cost

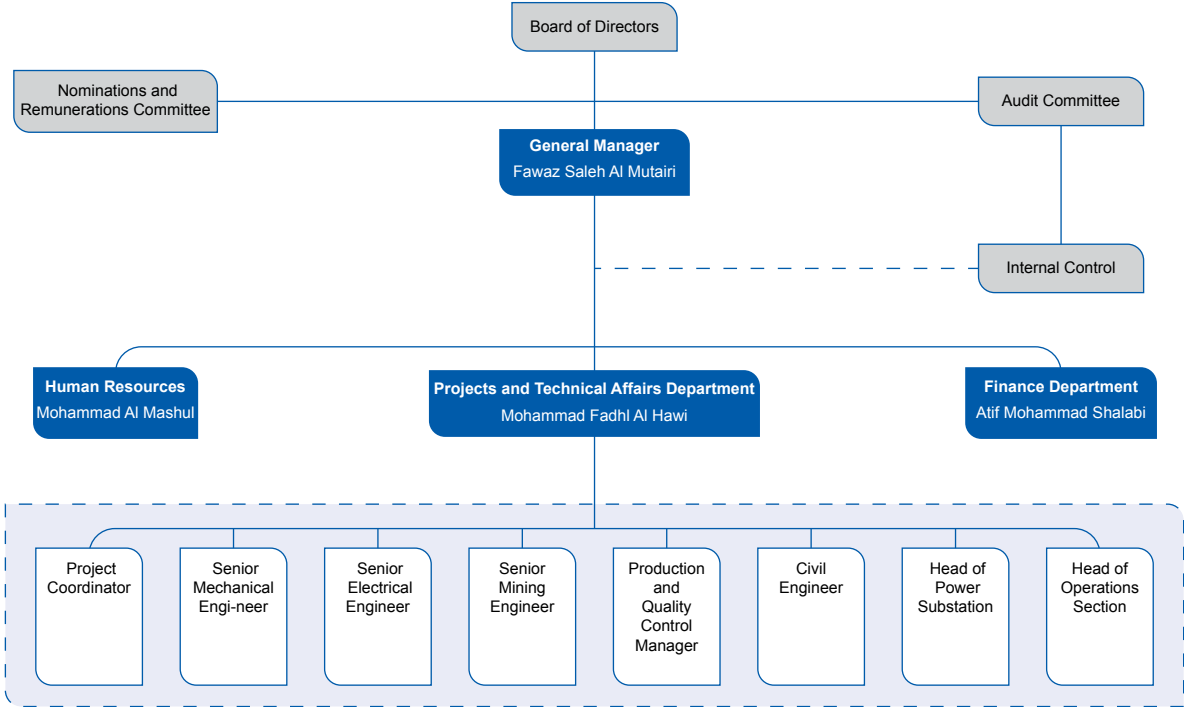
The availability of main raw materials near the Plant helps directly in reducing product cost.

#### 4 - 10 Research and Development

The Company is a newly established company. Therefore, there is not any strategy or special department for research and development.

# 5. Organization Structure

following chart illustrates the Company's Organizational Structure:



## 5 - 1 Main Divisions/Departments of the Company

### 5 - 1 - 1 Financial Department:

The Financial Department manages and & oversees the Company's financial & accounting transactions. It conducts financial analysis, provision of periodical reports and issuance of financial statements which translate the financial position of the Company.

### 5 - 1 - 2 Projects & Technical Affairs Department

Projects & Technical Affairs Department plans & coordinates the engineering designs of all industrial projects, supervision over the implementation of such projects, follow-up their timetables and ensures quality of civil, mechanical, electrical and operational works.

### 5 - 1 - 3 Human Resources

Human Resources Department carries out continuous planning in order to satisfy the Company needs of human resource, develop such resources through training and development by continuously focusing on the employment, development & qualification of young Saudis. Human Resources Department is also in-charge of personnel affairs with respect to business, follow-up all activities pertinent to the entire procedures of employment, training & assessment in coordination with the Company's other departments.

It is worth mentioning that the Company will add several operational units during the period preceding the commissioning of the factory production as shown in the highlighted section of the above Chart

## 5 - 2 Board of Directors

The Board of Directors assumes the first and direct responsibility over the Company management, processing of its affairs, supervision of all funds and provision of an internal control system for protection of the shareholders' interests.

The members of the Board of Directors shall apply the optimum governance criteria at the Company level by forming the committees and adopting the highest standards aiming at boosting the investment value of the Company's shareholders.

## 5 - 2 - 1 Members of the Board of Directors

**Table 28: Board Members**

S	Name	Representation	Post	Capacity	Nationality	Age	Direct Ownership (%)		Indirect Ownership (%) before Offering	
							No of Shares	Ownership %	No of Shares	Ownership %
1	Abdulaziz Omran Al Omran	Abdulaziz Omran Al Omran and Partners Company	Chairman of the Board	Non-Executive/ Non-Independent	Saudi	49	-	-	1,886,027	6.86%
2	Abdullah Abdulaziz Al Abdullatif	-	Board Member	Non-Executive/ Independent	Saudi	33	370,000	1.35%	-	-
3	Saleh Ibraheem Al Khulaifi	-	Board Member	Non-Executive/ Independent	Saudi	56	-	-	-	-
4	Saud Mohammad Al Sabhan	-	Board Member	Non-Executive/ Independent	Saudi	41	-	-	-	-
5	Fawaz Hamad Al Fawaz	-	Board Member	Non-Executive/ Independent	Saudi	57	-	-	-	-
6	Ahmad Said Al-Ay	-	Board Member	Non-Executive/ Independent	Saudi	58	254,469	0.93%	382,258	%1.39

Source: The Company

Note: Non-shareholder Board members will own 1,000 shares each and they will deposit such shares, after listing in the Saudi Stock Exchange with one of the authorized persons in Saudi Arabia as qualification shares according to the requirements of Companies Regulations

## 5 - 2 - 2 Overview of the Board qualifications:

### **Abdulazizbin Omran Al-Omran**

Nationality: Saudi

Position: Chairman of the Board of Directors

Age: 49 years

Practical Experience:

- 2012 up to date: General Manager in Al-Omran Consortium (a limited liability company) engaged in construction sector.

- 2012 up to date: General Manager in HamatTwaiq Company (a limited liability company) engaged in construction sector.
- 2010 up to date: General Manager in Middle East Quarry Company (a limited liability company) engaged in construction sector.
- 2010 up to date: General Manager in International Concrete Additives Company (a limited liability company) engaged in construction sector.
- 2006 up to date: General Manager in Abdullah & Abdulaziz Al-Omran Company (a limited liability company) engaged in construction sector.
- 2003 up to date: General Manager in Abdulaziz Omran Al-Omran Company for Ready Miz concrete (a limited partnership company) engaged in construction sector.
- 1989-1992: Maintenance engineer with ArRiyadh Development Authority, a government body engaged in the development sector.
- 1985-2002: General Manager of Al-Omran Transportation Company (a limited liability company) engaged in transportation sector.

Present Positions:

- 2013 up to date: Chairman of Umm Al-qura Cement Company.

Academic Qualifications:

Bachelor degree in Industrial Engineering, King Saud University, Saudi Arabia in 1989

**Abdullah bin Abdulaziz Al-Abdullatif**

Nationality: Saudi

Position: Member of the Board of Directors

Age: 33 yeas

Practical Experience:

- 2006 up to date: Director, Internet Operation Center in STC (a joint stock company) engaged in communication sector.
- 2007 up to date: Information Systems Consultant at Al-Abdullatif Group Holding (a closed joint stock company) engaged in industrial investment sector.

Present Positions:

- 2013 up to date: Board member of Umm Al-Qura Cement Company.
- 2013 up to date: Board member of Kayan Petrochemicals (a public joint stock company) engaged in petrochemical industries.

Academic Qualifications:

Bachelor degree in information systems, King Saud University, Riyadh, Saudi Arabia in 2006.

Saleh bin Ibrahim Al-Khlaifi

Nationality: Saudi

Position: Board Member

Age: 56

Practical Experience:

- 1997 up to date: General Manager in Sultan bin Abdulaziz Saud Charity Foundation.
- 2001 up to 2007: Board member of the Saudi Land Transport Company (Mubarrad) (a joint stock company) engaged in transport sector.
- 2000 to 2002: Board member of the National Agricultural Development Company (NADEC) (a joint stock company) engaged in agricultural development sector.
- 1992-1996: Operation Manager in the Saudi Hotels & Resorts Co. ( a joint stock company) engaged in tourism & hotels sector.
- 1990-1992: Internal Auditor at the Arab Investment Company (a joint venture owned by seventeen Arab states) engaged in investment.

- 1981-1990: Progressed in various positions the last of which was AGM of Capital Management Department in the Saudi Development Fund (a state fund) engaged in the finance of the development projects in under-developed countries.

Present positions:

- 2013 up to date: Board member of Umm Al-Qura Cement Company.
- 2011 up to date: Board member and founder of Bathil Al-Khair Foundation which is engaged in the real estate & trade sector.
- 2010 up to date: Board member of Al Dar Alarabi Company ( a limited liability company) engaged in printing & publishing sector.
- 2010 up to date: Board member of Saba Real Estate Company ( a limited liability company) engaged in the real estate sector.

Academic Qualifications:

- Master degree in Accounting from Oklahoma City University, USA, 1985.
- Bachelor of Administrative Science in Accounting from King Saud University, Saudi Arabia in 1980.

**Saud Mohammed Al-Sabhan**

Nationality: Saudi

Position: Board member

Age: 41

Practical Experience:

- 2005 up to date: Managing Director of Bohoor International Investment Company (a limited liability company) engaged in investment & business development.
- 2000-2005: Credit Officer in the Saudi Development Fund (a state owned fund) engaged in financing development projects in under-developed countries.
- 1996-2000: A credit employee at the Saudi Development Fund (a stated owned fund) engaged in financing development projects in under-developed countries.

Present Positions:

- 2013 up to date: Board member of Umm Al-Qura Cement Company.
- 2013 up to date: Board member of Anfal Capital Company (a closed joint stock company) engaged in the financial sector.
- 2013 up to date: Board member of Al-Rajhi Steel Company (a limited liability company) engaged in the industrial sector.
- 2012 up to date: Board member of Future Ceramic Company (a closed joint stock company) engaged in the industrial sector.
- 2011 up to date: Board member of Falcon Plastic Products Company (a limited liability company) engaged in the industrial sector.

Academic Qualifications:

- Master of Business Administration in International Finance Management and Initiative in Business from the American University, USA, 2004.
- Bachelor degree in Finance from King Fahd University for Petroleum & Minerals, Saudi Arabia in 1996.

**Fawaz Hamad Al-Fawaz**

Nationality: Saudi

Position: Board member

Age: 57

Practical Experience:

- 2009-2011: Risk Department Manager of the Al Khabeer Company (a closed joint stock company) engaged in the financial sector.
- 2005-2006: CEO of Al-Anwaa Company (a limited liability company) engaged in the multiple investment sector.

- 1996-2004: Head of Public Sector Finance at the Saudi-Fransi Bank (a joint stock company) engaged in the banking sector.
- 1992-1996: Officer in the Investment Banking at the Saudi-Fransi Bank (a joint stock company) engaged in the banking sector.
- 1988-1992: Officer in the Investment Banking at the Saudi-American Bank (a joint stock company) engaged in the banking sector.
- 1984-1988: An employee of International Investment Department in SAMA (a state institution) engaged in supervision over banking & insurance sectors.

**Present Positions:**

- 2013 up to date: Board member of Umm Al-Qura Cement Company.
- 2013 up to date: Board member of Arriyadh Development Company (a public joint stock company) engaged in real estate development sector.

**Academic Qualifications:**

- Master degree in Economics from California State University of Technology, USA, 1983.
- Bachelor degree in Economics from California State University of Technology, USA, 1982.

**Ahmed Saeed Al-Ay**

Nationality: Saudi

Position: Board member

Age: 58 years

**Practical Experience:**

- 2000-2003: General Manager of Al-Ay Trading & Contracting Company (a limited liability company) engaged in contracting sector.
- 1984-2000: Senior Manager in Treasury Department at United Saudi Bank (currently Samba Financial Group) (a joint stock company) engaged in banking & financial sector.

**Present Positions:**

- 2014 up to date: Board member of Umm Al-Qura Cement Company.
- 2003 up to date: Manager of Investor Relations Department at STC (a joint stock company) engaged in Communication & IT sector.

**Academic Qualifications:**

- Bachelor degree in Public Relations, King Saud University, Saudi Arabia in 1983.

Corporate Secretary:

**Fawaz bin Saleh Al-Mutairy**

For information about the Corporate Secretary, please refer to “Senior Executives” profile.

**5 - 3 Senior Executives**

**Table 29: Senior Executives of the Company**

Name	Academic Qualifications	Position	Nationality	Age
Fawaz Saleh Al-Mutairy	Bachelor	General Manger	Saudi	39
Mohammed FadhI Al-Hawi	Bachelor	Project Manager	Paletinian	48
Atif Al-Jawhary	Bachelor	Financial Manager	Egyptian	40
Mohammed bin Ali Shwal	General Secondary	Personnel Affairs & Public Relations Manager	Saudi	43

Source: The Company

**Fawaz Saleh Al-Mutairy**

Nationality: Saudi

Position: General Manager & Board member

Age: 39 years

**Practical Experience**

- 2012-2013: Deputy CEO of Qassim Cement Company (a joint stock company) engaged in cement sector.
- 2010-2012: Factory Manager of Qassim Cement Company (a joint stock company) engaged in cement sector.
- Progressed in Qassim Cement Company by occupying various operational & leading positions during the period from 2001 to 2010 where he worked for operations, production manager and maintenance & project manager.

**Present Position:**

2013 up to date: General Manager & Corporate Secretary of Umm Al-Qura Cement Company.

**Academic Qualifications:**

Bachelor degree in Chemical Engineering, King Fahd University of Petroleum & Minerals, Saudi Arabia, 2000

**Mohammed Fadhil Kamel Al-Hawi**

Nationality: Palestinian

Position: Projects Manager

Age: 48

**Practical Experience:**

- February 2012 - October 2012: Project Manager at Obeikan Paper Industries in Riyadh (a limited liability company) engaged in Duplex paper manufacturing sector.
- 2011-2012: Project Manager at Gulf Cement Company (a closed joint stock company) established to operate in cement sector for which it is no longer working and turned currently to business in construction sector.
- 2009-2011: Maintenance Manager at Riyadh Cement Company (a closed joint stock company) engaged in cement sector.
- March 2009-June 2009: Project Manager at Gulf Cement Company (a closed joint stock company) established to operate in cement sector and it is no longer working and turned currently to business in construction sector.
- 1989-2008: Maintenance Manager at Southern Cement Company (a joint stock company) engaged in cement sector. He progressed from site mechanical engineer up to maintenance manager.

**Present Position:**

2012 up to date :Project Manager in Umm Al-Qura Cement Company through Abdulazizbin Omran Al-Omran & Partners Company.

**Academic Qualifications:**

Bachelor degree in Mechanical Engineer, King Fahd University for Petroleum & Minerals, Saudi Arabia, 1989.

**Atif Mohammed Shalabi Al-Jawhari**

Nationality: Egyptian

Position: Financial Officer

Age: 40

**Practical Experience:**

- 2012-2013: Financial Manager in SEKEM Group of Companies for Medical Herbs & Drug Industries, Egypt (a closed joint stock company) engaged in manufacturing drugs and medical herbs in Egypt.

- 2009-2012: Financial Manager in Royal Al-Menia Cement Company in Egypt (a closed joint stock company) engaged in cement sector.
- 2006-2009: Accounting Manager in SEKEM Group of Companies for Medical Herbs & Drug Industries, Egypt (a closed joint stock company) engaged in manufacturing drugs and medical herbs in Egypt.
- 2005-2006: Chief Accountant in Bertz Center for Languages & Human Resources Training in Egypt (a closed joint stock company) engaged in training & human development.
- 1997-2005: Progressed in positions from accountant up to Head of Costs Section in Modern Foundries for Steel Foundry Manufacturing Company in Egypt (a limited liability company) engaged in steel manufacturing sector.

Present Position:

2013 up to date: CFO of Umm Al-Qura Cement Company.

Academic Qualifications:

Bachelor degree in Accounting from Halwan University, Egypt in 1997

### **Mohammed Al Mashwal**

Nationality: Saudi

Position: Head of Personnel & Public Relations

Age: 43

Practical Experiences:

- 2012-2013: Administrative Affairs Supervisor in the Saudi-German Company (a limited liability company) engaged in plastic manufacturing.
- 2010-2012: Human Resources Supervisor in Fanateer International Entertainment Company (a limited liability company) engaged in retail & wholesale sector.
- 2001-2010: Administrative Manager in Abdullah Al-Ali Sons Company (a limited liability company) engaged in foodstuffs sector.

Present Positions:

- 2014 up to date: Personnel & Public Relations Manager in Umm Al-Qura Cement Company.

Practical Experience:

General Secondary School Certificate in Legal & Arab Science Section in 2009.

## **5 - 4 Shares owned by the Board members & Senior Executives**

No shares owned by senior executives in Umm Al-Qura Cement Company.

**Table 30: Shares Held by Directors**

Name	Post	Capacity	Direct Ownership (%)		Indirect Ownership (%) before Offering	
			No of Shares	Ownership %	No of Shares	Ownership %
Abdulaziz Omran Al Omran	Abdulaziz Omran Al Omran and Partners Company	Non-Executive/ Non-Independent	-	-	1,886,027	6.86%
Abdullah Abdulaziz Al Abdullatif		Non-Executive/ Independent	370,000	1.35%	-	-
Saleh Ibraheem Al Khulaifi		Non-Executive/ Independent	-	-	-	-



Name	Post	Capacity	Direct Ownership (%)		Indirect Ownership (%) before Offering	
			No of Shares	Ownership %	No of Shares	Ownership %
Saud Mohammad Al Sabhan		Non-Executive/ Independent	-	-	-	-
Ahmad Said Al-Ay		Non-Executive/ Independent	254,469	0.93%	382,258	1.39%
Fawaz Hamad Al Fawaz		Non-Executive/ Independent	-	-	-	-

Source: The Company

### 5 - 5 Remunerations of the Board members and senior executives

The Company Chairman and Board members have never received any remunerations or benefits since the Company foundation. The total payments made to the executive management, including salaries, bonuses & other benefits as well as housing & transportation allowances and other allowances since the company foundation and up to the date of this Prospectus, are amounting to (SAR 1,403,610) only.

It is worth noting that the executive management consists of the General Manager, Project Manager, Financial Officer and Head of Personnel & Government Relations.

### 5 - 6 Contracts with the Board members, General Managers, Financial Officer and Project Manager.

No service contracts have been made between the Company & Board members. Instead, their remunerations are paid as per the Companies Regulations, the Company's By-Laws and official instructions issued in this regard. However, the Company entered into a contract with its General Manager, Mr. Fawaz Al-Mutairy, that sets forth the obligations and contractual rights including the monthly salary, contract term, housing & vacations. Such a contract with the General Manager commences on 01/09/2013 for an automatically renewable one Gregorian year, unless either party informs the other party in writing of its intention not to renew it by serving a 90 day notice prior to the expiry of the original or renewed contract term. The Company has also concluded a contract with its financial officer Mr. Ati Mohammed Al-Jawhary that sets forth the obligations and contractual rights including the monthly salary, contract term, housing & vacations. This contract commences on 22/10/2013 for one renewable year unless either party informs the other one of its intention not to renew it by serving a one-month notice prior to the expiry of the contract term. Another employment contract has also been made between the Company and the Project Manager Mr. Mohammed Fadhl Al-Hawi that sets forth the obligations and contractual rights including the monthly salary, contract term, housing & vacations. The contract commences on 01/01/2013 for one renewable year unless either party informs the other one of its intention not to renew it by serving a one-month notice prior to the expiry of the contract term.

### 5 - 7 Corporate Governance

Article (69) of the Companies Regulations provides that no board member shall have direct or indirect interest in any transactions or contracts provided on the Company account without a one year renewable authorization by the Ordinary General Assembly. This is with exception to those transactions made via public tender if the proposal offered by the relevant member is the lowest. Further, a board member shall disclose to the board of any personal interest for him in the transactions or contracts made on the account of the Company, with such information to be recorded in the minutes of the board meeting. The relevant board member shall not vote in any decision relating to that matter whether in the meetings of the board or general assembly. The chairman of the board shall advise the Ordinary General Assembly (when held) of the transactions and contracts wherein any board member has any interest. Such notification shall be enclosed with a special report prepared by the Company auditor. Article (70) of the Companies Regulations and Article (18) of Corporate Governance Regulations provide that no board member shall, without an annually renewable authorization of the Ordinary General Assembly, participate in any activity that would compete with the Company or practice business in any sub- activity exercised by the a Company branch. If any member is proved in breach of such conditions, the Company will be entitled to require indemnities from him or to deem the acts made by him as being made to the Company account. Moreover, Clause (C) of Article Eighteen of the Corporate Governance Regulation states that the Company may not extend cash loan of whatever kind to its board members or to guarantee any loan made by any board member to others.

The Company has adopted Article 6 with respect to the cumulative voting in its By-Laws. It also complies with Article 12 in connection with the formation of the Board of Directors, Article 14 relating to the audit committee and Article 15 relating to the Nominations & Remunerations Committee of the Corporate Governance Regulations issued by CMA.

The Company has prepared its own Corporate Governance rules in compliance with the Corporate Governance Regulation issued by CMA, thus ensuring the Company's abidance by all its articles issued by CMA and ensuring that the Company will abide by all those articles which have not yet been complied with. The Company's Corporate Governance will be approved by the Board of Directors within the next six months which will follow the listing of the Company shares in the Saudi Stock Exchange.

#### 5 - 7 - 1 Audit Committee:

The Company has its audit committee consisting of non-executive board members, including a financial & accounting affairs expert. The committee is tasked with ensuring control over the risk fundamentals & standards in addition to all aspects of the internal audit, supervision and audit. Tasks & responsibilities of the committee include the following:

1. Supervising the Internal Audit Department of the Company in order to verify its effectiveness in implementing the businesses & assignments vested to it by the Board of Directors;
2. Reviewing the internal control system and submitting a written report of its opinions & recommendations in that regard;
3. Reviewing the internal audit reports and following-up the enforcement of the corrective procedures about the comments cited therein;
4. Reporting to the Board of Directors with respect to the appointment or dismissal the certified public accountants, and deciding their fees. Recommendations shall take into account the independency of the certified public accountants;
5. Following-up the certified public accountants' activities and approving any activity beyond the audit tasks assigned to them while conducting the audit tasks;
6. Reviewing the audit plan with the certified public accountant and stating their comments thereon;
7. Reviewing the comments raised by the certified public accountant on the financial statements and following-up actions made thereon;
8. Reviewing the interim & annual financial statements and stating opinions & recommendations in that regard;
9. Reviewing the applicable accounting policies and submitting opinions & recommendations to the Board of Directors in that regard.

Pursuant to the Board of Directors proposal, the Company's general assembly shall set the criteria of selecting the audit committee members and their membership term as well as how the Committee will perform its activities.

#### Audit Committee Members:

**Table (31): Audit Committee Members:**

Name	Position
Fawaz Hamad Al-Fawaz	Chairman of the Committee
Abdulaziz Al-Nuwaissir	Member
Fahd Al-Zimaie	Member

Source: The Company

## Overview of the qualifications of the Audit Committee Members:

### **Fawaz Hamad Al-Fawaz**

For information about the Committee Chairman, please refer to “Overview of the Qualifications of the Board of Directors” section

### **Abdulaziz Al-Nuwaisir**

Nationality: Saudi

Position: Audit Committee member

Age: 41

Practical Experience:

- 2009-2011: Board Chairman of the Saudi Tourism Development Company (a limited liability company) engaged in the tourism sector.
- 2008-2011: Audit Committee member of the Saudi Fisheries Company (a joint stock company) engaged in agriculture & foodstuffs manufacturing sector.
- 2002-2004 and 2005-2007: Lecturer in Accounting Department, King Saud University, Saudi Arabia.
- February 2005-July 2005: Financial advisor in Al-Elm Information Security Company (a closed joint stock company) engaged in information security sector.
- 2004-2005: Manager of the Strategic Planning Project of Al-Elm Information Security Company (a closed joint stock company) engaged in information security sector.
- 2003-2005: Financial & Administrative Officer of Al-Elm Information Security Company (a closed joint stock company) engaged in information security sector.
- 1996-1998: Assistant Professor in Accounting Department, King Saud University, Riyadh, Saudi Arabia.
- April 1996-November 1996: Financial Auditor at Al-Rajhi Bank (a joint stock company) engaged in banking & financial services sector.

Present Positions:

- 2012 up to date: Member of the Audit Committee in the Saudi Rail Way Company (a closed joint stock company) engaged in transport sector.
- 2011 up to date: Member of the Audit Committee in Tawuniya Insurance Company (a public joint stock company) engaged in insurance sector.
- 2008 up to date: Member of the Audit Committee in Al-Elm Information Security Company (a closed joint stock company) engaged in information security sector.
- Founder & Executive Partner of National Consultation House (a limited liability company) engaged in financial sector (from 2007 up to date), then CEO of the same company (from 2010 up to date).

Academic Qualifications:

- Master degree in Accounting from University of Case Western Reserve, USA in 2002.
- Bachelor degree in Accounting from University of King Saud University in 1995.

### **Fahd bin Abdulrahman Al-Zimaie**

Nationality: Saudi

Position: Audit Committee member

Age: 37 years

Practical Experience:

- 2012-2013: Financial Officer of Arab Contracting Company (a closed joint stock company) engaged in contracting sector.
- 2011-2012: Manager of Information Systems Department in Al-Rajhi Bank (a joint stock company) engaged in banking & financial services sector.
- 2010-2012: Commercial Manager in Fawaz Al-Hokair & Partners Company (a joint stock company) engaged in retail sector.
- 2007-2010: Chief Operations' Officer of the Saudi-Indian Company for Cooperative Insurance (a joint stock company) engaged in insurance sector.

- 2007-2009: Chairman of Investment Committee and Board member of the Saudi-Indian Company for Cooperative Insurance (a joint stock company) engaged in insurance sector.
- 2006-2008: Manager of Planning & Financial Analysis in Etihad Company (a joint stock company) engaged in communication & information technology sector.
- 2004-2006: Insurance Supervisor in SAMA (a state owned institution) engaged in supervision over the banking & insurance sector.
- 2000-2006: Banking Inspector in SAMA (a state owned institution) engaged in supervision over the banking & insurance sector.

**Present Positions:**

2013 up to date: Deputy Financial Officer in Education Holding Company (a closed joint stock company engaged in education investment sector).

**Academic Qualifications:**

- Certified Public Accountant from American Institute for Certified Public Accountants.
- Master degree in Accounting from Illinois University, USA in 2004.
- Bachelor of Economics & Business Administration in Accounting from King Saud University in 1999.

### 5 - 7 - 2 Nominations & Remunerations Committee:

The following are the tasks & responsibilities of the Nominations & Remunerations Committee:

1. Submitting recommendations to the Board of Directors on the nominations to the Board membership as per the approved policies & criteria, taking into account that no one who has been previously condemned with breach of trust & honor may be nominated;
2. Reviewing the annually required needs for proper skills to the board membership and preparing description of the required abilities & qualifications for the board membership, including the required time each member is required to dedicate for the Board businesses;
3. Reviewing the Board structure and submitting recommendations for change that may be implemented;
4. Determining the points of strength & weakness with the Board of Directors and proposing remedy in line with the Company interest;
5. Ensuring, on annual basis, independency of the independent members and that no conflict of interests exists if a member is holding board membership of other companies;
6. Setting clear policies with respect to compensations & remunerations for the Board members and senior executives. When setting such policies, it should be ensured that performance related criteria are used.

**Members of the Nominations & Remunerations Committee**

**Table (32): Members of the Nominations & Remunerations Committee**

Name	Position
Abdulaziz Omran Al-Omran	Committee Chairman
Saleh Ibrahim Al-Khlaifi	Member
Saood Mohammed Al-Sabhan	Member

Source: The Company

**Overview of the qualifications of the Nominations & Remunerations Committee members**

For information about the members of Nominations & Remunerations Committee, please refer to “Overview of the qualifications of the Board members” section in this Prospectus

### 5 - 8 Company Undertakings after Listing

Following listing, the Company undertakes to:

- Comply with all articles of Corporate Governance Regulation issued by CMA within a maximum period of six months from the listing date;
- Comply with Article 9 of Corporate Governance Regulation and article 43 of the Listing Rules upon preparation of the Board report;

- Comply with Clause (B) of Article 10 of Corporate Governance Regulation which requires that the Company should develop regulations & controls for internal control and oversee them;
- Inform CMA of the General Assembly meeting date after listing so that necessary arrangements may be taken for CMA representative to attend;
- Announce to public the details of using the IPO proceeds and developments of executing the Plant, on quarterly basis.

The Board of Directors undertakes to:

- Documenting all decisions & deliberations issued by the Board in minutes issued & signed by the members;
- Including transactions with related parties in the General Assembly agenda in order to allow the shareholders an opportunity to vote on such transactions.

After Listing, Abdulazizbin Omran Al-Omran Company is committed to the following:

- Transfer both licenses of quarry & raw material (Q/1) and (Q/2) to Umm Al-Qura Cement Company following coordination with Ministry of Petroleum & Mineral Resources.

## 5 - 9 Employment & Saudization

### 5 - 9 - 1 Employment Plan

The Company is presently employing 113 staff and is intending to gradually appoint (500) additional staff by the end of 2015. As per the Company's current estimations, this figure represents the total number of employees & administrators needed by the Company for operating with full capacity.

**Table 33: The Company's Employment Plan**

Sections & Departments	Appointment date		Total
	2013	2014	
General Manager Office	1	-	1
Finance Department	1	-	1
Projects & Technical Affairs Department	110	-	110
Human Resources		1	1
<b>Total</b>	<b>112</b>	<b>1</b>	<b>113</b>

Source: The Company

### 5 - 9 - 2 Saudization

The Company has vowed to employ trained Saudi cadres who are experienced & qualified. Presently, Saudization amounts to (54%), according to the Labor Office certificate valid until 16/06/1435H where the number of Saudi employees is (61) while non-Saudis employees are (52).

**Table 34: Nitaqat Program**

Entity	Cement Manufacturing			
	Red	Yellow	Green	Premium
Small (10-49)	% 4 – 0	% 14 – 5	% 29 – 15	% 30 <=
Medium (50-499)	% 5 – 0	% 24 – 6	% 39 – 25	% 40 <=
Large (500-2999)	% 7 – 0	% 29 – 8	% 59 – 30	% 60 <=
Giant (3000and more)	% 7 – 0	% 29 – 8	59% – 30	% 60 <=

Source: Ministry of Labor

The Company is not facing any problems, as it has already been classified in the Premium Category, and achieved the required nationalization percentage. However, the Company intends to recruit more employees and workers after commencement of production, coupled with the difficulty of hiring Saudi employees who are experienced in the activities of the Company, may lead to marking down the category. Ministry of Petroleum & Mineral Resources also requires the companies having quarry licenses to employ Saudis in their operations & factories in compliance with the applicable rules and to provide programs, to be approved by the Ministry, for training & qualifications of Saudis. It also dictates that Saudi employees percentage should not be less than 40% of the total number of all employees in the first year of production commencement. After four years of operating the factory or quarry, the said percentages should not be less than 80%. The licensee should prepare theoretical & practical program for training Saudi citizens to be approved by the Ministry.

It is worth noting that the Company has secured GOSI Certificate with subscription number 506926432. The Company stresses that it has fulfilled all of its obligations toward GOSI in accordance with the submitted statements and this Certificate is valid up to 5/10/1435H.

## 6. Founding Shareholders

### 6 - 1 Current Shareholders of the Company Prior to and After Offering

**Table 35: Founding Shareholders**

No	Name	Pre-Offering		Post-Offering	
		No. of Shares	Shareholding %	No. of Shares	Shareholding %
1	Villa International Projects for Trading Company	5,135,000	18.67	5,135,000	9.34
2	AbdulazizOmran Al Omran & Partners Company	2,514,703	9.14	2,514,703	4.57
3	Hamad Ibraheem Hamad Al Abdullatif	2,085,000	7.58	2,085,000	3.79
4	Al-Mada Al-Awal Holding Company	1,500,000	5.45	1,500,000	2.73
5	Princess Jawaher bint Khaled bin Turki Al Saud	1,333,334	4.85	1,333,334	2.42
6	Prince Abdulazizbin Turki bin Sultan bin AbdulazizAl Saud	1,333,333	4.85	1,333,333	2.42
7	Princess Al-Anoud bint Turki bin Sultan bin AbdulazizAl Saud	1,333,333	4.85	1,333,333	2.42
8	Abdullah Saleh Aba Hussein	1,250,000	4.55	1,250,000	2.27
9	Saleh Mohammed Saleh Al-Hajjaj	1,000,000	3.64	1,000,000	1.82
10	Saleh Hamad Al Abdullatif	1,000,000	3.64	1,000,000	1.82
11	Abdulazizbin Hamad Al Meshaal	1,000,000	3.64	1,000,000	1.82
12	AbdulazizSaleh Al Haqbani Sons Co. for Development and Real Estate Investment	706,234	2.57	706,234	1.28
13	Saad bin Fahd bin Abdulazizbin Walan	500,000	1.82	500,000	0.91
14	Abdullatif bin Hamad bin Ibraheem Al-Abdullatif	500,000	1.82	500,000	0.91
15	Awalem Al Saudia Manufacturing Company	477,823	1.74	477,823	0.87
16	Ahmed bin AbdulazizHagbani	470,822	1.71	470,822	0.86
17	AbdulazizSa'ad bin Fahd bin Abdulazizbin Walan	450,000	1.64	450,000	0.82
18	Ahmed bin Hamad bin Abdulkareem Al Mo'jil	420,000	1.53	420,000	0.76
19	Saud Abdul Ilah Al-Sheikh	401,073	1.46	401,073	0.73
20	Abdullah bin Abdulazizbin Sulaiman Al Abdullatif	370,000	1.35	370,000	0.67
21	Fahad Salem Omar Bamas	324,036	1.18	324,036	0.59
22	Ahmed bin Saeed Alay	254,469	0.93	254,469	0.46
23	Ahmed bin Sulaiman bin Ali Albahuth	200,000	0.73	200,000	0.36
24	Mohammed bin Sulaiman Al-Rasheed	200,000	0.73	200,000	0.36

No	Name	Pre-Offering		Post-Offering	
		No. of Shares	Shareholding %	No. of Shares	Shareholding %
25	Munira bint Mohammad Al-Omran	170,930	0.62	170,930	0.31
26	Abdullah Omran Al-Omran	169,649	0.62	169,649	0.31
27	Abdullah bin Mohammed Al Yabis	167,321	0.61	167,321	0.30
28	Musaab Saud Al Dughaiter	167,321	0.61	167,321	0.30
29	Bandar bin Ibraheem Al Khareef	160,000	0.58	160,000	0.29
30	Mohammed bin Abdulrahman Al-Bassam	150,000	0.55	150,000	0.27
31	Nada bint Omran Al-Omran	130,762	0.48	130,762	0.24
32	Mansour Abdulmohsen Bin Saeed	127,235	0.46	127,235	0.23
33	Ahmed bin Saad Al-Ajlan	125,000	0.45	125,000	0.23
34	Faisal Bin Abdullatif Al Abdullatif	125,000	0.45	125,000	0.23
35	Prince Faisal AbdulazizAl-Farhan	120,968	0.44	120,968	0.22
36	Ahmed Omran Al-Omran	113,542	0.41	113,542	0.21
37	Ibraheem Nasser Hamad Al-Rajhi	100,000	0.36	100,000	0.18
38	Saleh bin Ibraheem bin Mohammed Al Sbanan	100,000	0.36	100,000	0.18
39	Hind bent Ahmad Jamal	100,000	0.36	100,000	0.18
40	Saad bin Fahd Ajllan	92,000	0.33	92,000	0.17
41	Khalid Bin Abdullatif bin AbdulazizAl Abdullatif	85,000	0.31	85,000	0.15
42	Sarah bint Khaled Al Saif	83,659	0.30	83,659	0.15
43	Mariam bint Omran Al-Omran	79,108	0.29	79,108	0.14
44	Ghada bint Sami Al duriei	66,927	0.24	66,927	0.12
45	Mohammed bin Ali Al-Raseed	66,927	0.24	66,927	0.12
46	Abdulmohsen Nasser Al-Barrak	50,000	0.18	50,000	0.09
47	Mohammed Ibraheem Nasser bin Dahmash	42,000	0.15	42,000	0.08
48	Abdullah bin Mohammed Al Duailej	40,000	0.15	40,000	0.07
49	Khalid bin Hamad bin Ibraheem Al-Abdullatif	30,000	0.11	30,000	0.05
50	Samer bin Mohammed Adnan Farhood	20,000	0.07	20,000	0.04
51	Khalid Mohammed Abdulkareem	16,732	0.06	16,732	0.03
52	Faisal bin Walid Al Saheel	16,000	0.06	16,000	0.03



No	Name	Pre-Offering		Post-Offering	
		No. of Shares	Shareholding %	No. of Shares	Shareholding %
53	Abdulmohsen Nasser Al Thunayyan	8,298	0.03	8,298	0.02
54	Yousef Omran Al-Omran	8,298	0.03	8,298	0.02
55	Mohammed Abdullah Fahd Al Geber	8,163	0.03	8,163	0.01
56	Public	-	-	27,500,000	50.00
<b>Total</b>		<b>27,500,000</b>	<b>100.00</b>	<b>55,000,000</b>	<b>100.00</b>

Source: The Company

Note: Numbers are rounded

## 6 - 2 Key Shareholders

**Table 36: Shareholders holding directly 5% or more of the Company Shares**

Name of Shareholder	Before Offering		After Offering	
	No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
Villa International Projects for Trading Company	5,135,000	18.67	5,135,000	9.34
AbdulazizOmran Al Omran & Partners Company	2,514,703	9.14	2,514,703	4.57
Hamad Ibraheem Hamad Al Abdullatif	2,085,000	7.58	2,085,000	3.79
Al-Mada Al-Awal Holding Company	1,500,000	5.45	1,500,000	2.73

Source: The Company

Note: Numbers are rounded

**Table 37: Shareholders holding indirectly 5% or more of the Company Shares**

Name of Shareholder	Before Offering		After Offering	
	No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
Khaled Abdul Mohsen Abdul Rahman Al Khayyal	4,878,250	17.74	4,878,250	8.87
AbdulazizOmran Mohammed Al-Omran	1,886,027	6.86	1,886,027	3.43

Source: The Company

Note: Numbers are rounded

## 6 - 3 Corporate Shareholders

**Table 38: Institutional Shareholders**

Name of Shareholder	Before Offering		After Offering	
	No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
Villa International Projects for Trading Company	5,135,000	18.67	5,135,000	9.34
AbdulazizOmran Al Omran & Partners Company	2,514,703	9.14	2,514,703	4.57
Al-Mada Al-Awal Holding Company	1,500,000	5.45	1,500,000	2.73
AbdulazizSaleh Al Haqbani Sons Co. for Development and Real Estate Investment	706,234	2.57	706,234	1.28
Awalem Al Saudia Manufacturing Company	477,823	1.74	477,823	0.87
<b>Total</b>	<b>10,333,760</b>	<b>37.58</b>	<b>10,333,760</b>	<b>18.79</b>

Source: The Company

Note: Numbers are rounded

### 6 - 3 - 1 Corporate Shareholders Overview

#### 6 - 3 - 1 - 1 Villa International Projects for Trading

Villa International Projects for Trading Co. is a limited liability company, established in 1434H, under Commercial Registration No. 1010363322, with a capital of SR 50,000. The Company operates in import, export, wholesale, retail trading in cement, general contracting of buildings and purchase of lands for construction of buildings for investment through sales or rental for the benefit of company.

**Table 39: Shareholders in Villa International Projects for Trading**

Names of Share Shareholding Partners	No. of Shares	Vale of Share	Value of Capital Share	Ownership (%)	Direct Ownership in the Company %	Indirect Ownership in the Company %
Khaled Abdul Mohsen Abdul Rahman Al Khayyal	475	100	47,500	95.00	-	17.74
Khalid Abdullah Saleh Bin Faris	25	100	2,500	5.00	-	0.93
<b>Total</b>	<b>500</b>	<b>-</b>	<b>50,000</b>	<b>100</b>	<b>-</b>	<b>18.67</b>

Source: The Company

Note: Numbers are rounded

#### 6 - 3 - 1 - 2 AbdulazizOmran Al Omran & Partners

AbdulazizOmran Al Omran & Partners is a limited partnership, established in 1424H, under Commercial Registration No.1010184991, with a capital of SR 16 million. The Company operates in the field of public contracting for buildings, road works, bridges, excavations, breakage, quarrying and sewage works; networking and electrical mechanical contracting and purchase of land for construction of buildings for investment through sale or lease for the benefit of the Company.

**Table 40: Shareholders in AbdulazizOmran Al Omran & Partners Co.**

Names of Share Holding Partners	No. of Shares	Vale of Share	Value of Capital Share	Ownership (%)	Direct Ownership in the Company %	Indirect Ownership in the Company %
AbdulazizOmran Mohammed Al-Omran	-	-	12,000,000	75.00	-	6.86
Nojoud Ibrahim Abdullah Al Khareef	-	-	800,000	5.00	-	0.46
Noora AbdulazizOmran Al-Omran	-	-	800,000	5.00	-	0.46
Sarah AbdulazizOmran Al-Omran	-	-	800,000	5.00	-	0.46
Omran AbdulazizOmran Al- Omran	-	-	800,000	5.00	-	0.46
Faisal AbdulazizOmran Al-Omran	-	-	800,000	5.00	-	0.46
<b>Total</b>	<b>-</b>	<b>-</b>	<b>16,000,000</b>	<b>100.00</b>	<b>-</b>	<b>9.14</b>

Source: The Company

Note: Numbers are rounded

\* According to the Company's Article of Association, being a limited partnership company, the number of shares is not specified as well as the share value.

#### 6 - 3 - 1 - 2 - 1 Relationship of Abdulazizbin Omran Al Omran & Partners Co. with Umm Al-Qura Cement Company

On Sunday, 2 Muharram 1433H (corresponding to November 27, 2011G) AbdulazizOmran Al Omran & Partners won two licenses to exploit raw materials for manufacturing Portland Cement and White Cement in Hurat Hadonarea at Makkah region, after bidding for these two licenses among twenty competing institutions. Pursuant to the license, the winner is required to establish a Saudi joint stock company owning the entire project, including the Cement Plant. The licensee will contribute to 50% of the Share Capital, and the remaining shares will be offered for public subscription at the actual cost.

After awarding Abdulazizbin Omran Al Omran the two licenses to exploit two raw materials quarries located in Hurat Hadonarea at Makkah region, the Company began immediately to prepare the geological and economic feasibility studies for the plant. The Company assigned Holtec Consult Private Ltd to prepare the feasibility study for the Portland Cement plant. After that the Company agreed with 54 local investors to establish Umm Al-Qura Cement Company with a capital of SR 275,000,000. On 01/08/1434H (corresponding to 10/06/2013G), the Constituent Assembly of the Company approved the works and expenses required for establishment of the Company, estimated at SR 6,054,018, which has been paid by AbdulazizOmran Al-Omran in favor of Umm Al-Qura Cement Company.

The following table depicts the total expenses spent in the Company's incorporation

**Table 41: Total costs of Company incorporation**

Description/Year	2011	2012	2013	Total
Salaries	-	273,984	505,308	779,292
Travel and Accommodation Expenses	16,084	62,573	102,567	181,224
Exploitation fees of Raw Materials Quarry	-	801,075	-	801,075
Advances to Suppliers	-	177,269	238,580	415,849

Description/Year	2011	2012	2013	Total
Office installations/supplies	-	13,561	10,000	23,561
Construction Payments	-	580,615	-	580,615
Legal Advisor's Fees	4,000	22,000	20,000	46,000
Researches, tests and Consultations	5,000	1,942,747	765,847	2,713,594
Financing Charges	-	-	155,000	155,000
Miscellaneous Expenses	25	163,693	194,091	357,809
<b>Total</b>	<b>25,109</b>	<b>4,037,517</b>	<b>1,991,392</b>	<b>6,054,018</b>

Source: The Company

After obtaining approval of the Constituent Assembly and incorporation of Umm Al-Qura Cement Company, the Company has to pay the total expenditures resulted from the incorporation of the Company to AbdulazizOmran Al-Omran & Partners. There are no dues outstanding for AbdulazizOmran Al-Omran & Partners, the following table shows the details of payment of these expenses:

**Table 42: Settlement of total costs of the Company's incorporation**

Description/Year	2013G	Date
Check No. 354 drawn at Riyad Bank	5,722,583	28/7/2013G
Check No. 355 drawn at Riyad Bank	331,435	28/7/2013G
<b>Total</b>	<b>6,054,018</b>	-

Source: The Company

It should be noted that after the incorporation of Umm Al-Qura Cement Company, AbdulazizOmran Al-Omran & Partners have not made any payments for the benefit of the Company. It declares that it has not calculated the amount of the financial proposal paid for the tender for quarry licenses within the incorporation expenses or any other expenses for the purposes of the Offering as per the terms of the two licenses.

### 6 - 3 - 1 - 3 Al-Mada Al-Awal Holding Company

Al-Mada Al-Awal Holding Company is a limited liability company, founded in 1433H, under commercial registration No. 1010327258 with a capital of SAR 50,000. The Company's objective is to participate in companies by a percentage enabling it to control them, import and export; wholesale and retail trading; gifts and antiques; garments, fashion, accessories, luxuries and perfumes; general contracting for buildings (Construction, demolition and renovation), road and asphaltting works; purchase of land for construction of buildings for investment through sales in cash and installments or lease for the benefit of the Company; management, maintenance and development of properties and purchase of the properties for the benefit of the Company.

**Table 40: Shareholders in Al-Mada Al-Awal Holding Company**

Names of Share Shareholding Partners	No. of Shares	Vale of Share	Value of Capital Share	Ownership (%)	Direct Ownership in the Company %	Indirect Ownership in the Company %
Prince Mishaal bin Sultan bin AbdulazizAl Saud	333	100	33,300	66.60	-	3.63
Princess Mashael bint Sultan bin AbdulazizAl Saud	167	100	16,700	33.40	-	1.82
Total	500	-	50,000	100.00	-	5.45

Source: The Company

Note: Numbers are rounded

#### 6 - 3 - 1 - 4 AbdulazizSaleh Al-Haqabani for Real Estate Development and Investment Co.

AbdulazizSaleh Al-Haqabani for Real Estate Development and Investment Co. is a limited liability company incorporated in 1426H, under Commercial Registration No. 1010207597 with a capital of SR 504,000. The Company's objectives are to purchase land for the building construction and investment by sale and rentals for the benefit of the Company, either in cash or at installments; management, development and maintenance of premises; purchase and acquisition of properties for the benefit of the Company; buildings general contracting; maintenance of hotels and furnished apartments.

**Table 40: Shareholders in AbdulazizSaleh Al-Haqabani for Real Estate Development and Investment Co.**

Names of Share Shareholding Partners	No. of Shares	Vale of Share	Value of Capital Share	Ownership (%)	Direct Ownership in the Company %	Indirect Ownership in the Company %
Abdul Rahman AbdulazizHagbani	42	1,050	44,100	8.75	-	0.22
Abdullah AbdulazizHagbani	42	1,050	44,100	8.75	-	0.22
Mohammed AbdulazizHagbani	42	1,050	44,100	8.75	-	0.22
Ahmed AbdulazizHagbani	42	1,050	44,100	8.75	1.71	0.22
Abdulmohsen AbdulazizHagbani	42	1,050	44,100	8.75	-	0.22
Hisham AbdulazizHaqabani	42	1,050	44,100	8.75	-	0.22
Mansour AbdulazizHagbani	42	1,050	44,100	8.75	-	0.22
Hessah Suleiman AbdulazizShouaibi	30	1,050	31,500	6.25	-	0.16
Qomasah bent Ibrahim algeber	30	1,050	31,500	6.25	-	0.16

Names of Share Shareholding Partners	No. of Shares	Vale of Share	Value of Capital Share	Ownership (%)	Direct Ownership in the Company %	Indirect Ownership in the Company %
Nora House Trading & Contracting Co.	21	1,050	22,050	4.38	-	0.11
Masha'el Abdulaziz Hagbani	21	1,050	22,050	4.38	-	0.11
Haifa Abdulaziz Hagbani	21	1,050	22,050	4.38	-	0.11
Asma Abdulaziz Hagbani	21	1,050	22,050	4.38	-	0.11
Munira Abdulaziz Hagbani	21	1,050	22,050	4.38	-	0.11
Jawaher Abdulaziz Hagbani	21	1,050	22,050	4.38	-	0.11
<b>Total</b>	<b>480</b>	<b>-</b>	<b>504,000</b>	<b>100</b>	<b>1.71</b>	<b>2.57</b>

Source: The Company

Note: Numbers are rounded

#### 6 - 3 - 1 - 4 - 1 Nora House for Trading & Contracting Co. Ltd.

Nora House for Trading & Contracting Co. Ltd. is a limited liability company, established in 1430H, under Commercial Registration No. 1010267780, with a capital of SR 100,000. The Company operates in wholesale and retail of trading of food products; air handling and air-conditioning equipment and materials; industrial tools and equipment; plumbing and construction materials; generators, machinery, electrical machines, and related repair and maintenance parts; electrical, mechanical, electronic and biomedical equipment; retail and wholesale trading in computers, office equipment, stationery and teaching aids.

**Table 40: Shareholders in Nora House for Trading & Contracting Co. Ltd.**

Names of Share Shareholding Partners	No. of Shares	Vale of Share	Value of Capital Share	Ownership (%)	Direct Ownership in the Company %	Indirect Ownership in the Company %
Abdullah Mohammed Shwaish Alshwaish	40	1,000	40,000	40.00	-	0.04
Sultan Mohammed Shwaish Alshwaish	40	1,000	40,000	40.00	-	0.04
Najla Mohammed Shwaish Alshwaish	20	1,000	20,000	20.00	-	0.02
<b>Total</b>	<b>100</b>	<b>-</b>	<b>100,000</b>	<b>100.00</b>	<b>-</b>	<b>0.11</b>

Source: The Company

Note: Numbers are rounded

#### 6 - 3 - 1 - 5 Saudi Industrial Worlds Co.

Saudi Industrial Worlds Co. is a limited liability company, established in 1433H under Commercial Registration No. 1010342126 with a capital of SR 20,000. The Company operates in the field of general contracting for buildings (construction, demolition, renovation and repair), purchase of lands for construction of buildings for investment through sale in cash and at installment or rental for the benefit of the Company, laying water and sanitation networks, and maintenance of concrete and block plants and crushers.

**Table 46: Shareholders in Saudi Industrial Worlds Co.**

Names of Share Shareholding Partners	No. of Shares	Vale of Share	Value of Capital Share	Ownership (%)	Direct Ownership in the Company %	Indirect Ownership in the Company %
Ahmed bin Saeed bin Ahmed Alay	160	100	16,000	80	0.93	1.39
Abdul-Allah Ahmed Saeed Alay	40	100	4,000	20	-	0.35
<b>Total</b>	<b>200</b>	<b>-</b>	<b>20,000</b>	<b>100</b>	<b>0.93</b>	<b>1.74</b>

Source: The Company

Note: Numbers are rounded

## 7. Management Discussion and Analysis of the Financial Position and Results of Operations

### 7 - 1 Management Responsibility for Financial Information

This discussion and analysis of Financial Position and results of operations have been prepared by the Management of Umm Al-Qurra Cement Company based on the audited financial statements for the period from 3 July 2013 to 31 December 2013. Numbers in this section have been rounded. The management believes that there has been no significant adverse change in the financial and commercial position of the Company since its incorporation and until the date of this Prospectus.

The Company's Management hereby declares that financial information in this Prospectus has been extracted without substantial modifications from the audited financial statements. The Company's management bears full responsibility for the correctness and accuracy of information and financial results analysis and declares, after conducting necessary investigations, that disclosure has been made in full and clearly and that there is no other information or document that may render data or information in this Prospectus misleading.

Moreover, and in addition to what has been made clear in this Prospectus (please refer to paragraphs "Fixed Assets" and "Items Outside Balance Sheet and Contingent Liabilities"), the Management declares that there are no mortgages, rights or fees on Company's properties and real estates as at the date of this Prospectus. The Company's Management declares further that the issuer has no capital that is covered by an options right.

### 7 - 2 Introduction

Abdulaziz Omran Al-Omran and Partners Company (Al-Omran Company) has obtained licenses for two quarries from the Ministry of Petroleum and Mineral Resources to extract limestone, which is the main raw material in the cement industry.

Based on the signed Articles of Associations, Umm Al-Qura Cement Company was incorporated as a closed joint stock company in accordance with the Ministerial decision # 214 issued on 25 Shaaban 1434 (corresponding to 4 July 2013G) with a capital of SAR 275 million. The Company was issued commercial registration number 1010382514 on 28 Shaaban 1434 (corresponding to 7 July 2013G).

Therefore, the first fiscal year for the Company starts on July 3, 2013 (the date on which the Ministry of Commerce and Industry certified its Articles of Association), and ends on 31 December 2014G. The Company has prepared financial statements covering the period from the date of incorporation on July 3 up to 31 December 2013 for the purpose of disclosing the Company's latest financial results to the public. It is worthwhile to mention that the Company has not carried out any commercial operations during the period from July 3 to 31 December 2013 – pre-operation period.

The Company has signed a contract with Sinoma for building a Cement Plant with an expected production capacity up to 6,000 metric tons of clinker a day. The Company has estimated the capital cost of this contract at US\$214,150,000 (SAR 803,062,500). It is expected that commercial production will start in first quarter of 2016G.

Umm Al-Qura Cement Company is exposed to a set of risks and uncertainties, which may substantially affect its actual results due to several factors beyond its control as previously mentioned in "Risk factors" section of this Prospectus.

### 7 - 3 Revenue and Expense Analysis

The following table shows the Company's Income Statement for the fiscal period from July 3 to 31 December 2013.

**Table # 47 Income Statement**

Thousand Saudi Riyals	Dec. 2013
Revenues	-
Cost of Revenues	-
Gross profit	-
Pre-incorporation expenses	(3,060)



Thousand Saudi Riyals	Dec. 2013
Pre-operation expenses	(3,520)
Financing expenses	(283)
Net loss before zakat	(6,863)
Zakat	-
<b>Net loss</b>	<b>(6,863)</b>

Source: audited financial statements

The Company made no revenues during the period from July 3, 2013 to 31 December 2013 as the Company is still in the initial stage of building the Cement Plant in the area of Hurat Hadon(2), Taif Governorate, Makkah area. In fact, the Company lost SAR 6.9 million during that period as pre-incorporation expenses born by Al-Omran Company during the period from Nov. 2011 to July 2, 2013, and then charged to the Company in addition to pre-operation expenses during the period from July 3, 2013 to 31 December 2013 amounting to SAR 3.5 million and financial charges. It is worthwhile to mention that the Company's certified auditor has capitalized the expenses related to the financial Due Diligence consultant and the IPO legal Advisor amounting to SAR 300,000 under pre-operating expenses based on Standard # 5, Fixed Assets Standard issued from the Saudi Organization for Certified Public Accountants, which require that non-direct, non-productive expenses be added to the fixed asset.

#### 7 - 4 Pre-Incorporation Expenses

The following table shows pre-incorporation expenses related to the Company incorporation such as quarry fees, salaries, Governmental expenses, etc.. These expenses were paid by Al-Omran Company during the period from date of obtaining the Quarry licenses in Nov. 2011 until July 2, 2013, and were charged to the Company on the date of its incorporation July 3, 2013. The amount paid in the bidding for the Quarry licenses were not considered part of incorporation expenses or any other expenses for subscription purposes in accordance with both licenses terms.

**Table # 48 Pre-incorporation Expenses**

Thousand Saudi Riyal	Dec. 2013
Quarry rentals	1,297
Salaries and their equivalents	837
Travel and assignment expenses	416
Advertisement	85
Car rental	83
Consulting and legal expenses	83
Shipping and custom clearance expenses	68
Governmental and certification fees	40
Administration building rental	33
Office supplies	29
Hospitality and buffet	17
Other expenses	72
<b>Total</b>	<b>3,060</b>

Source: Audited financial statements

#### 7 - 4 - 1 Salaries and Allowances

Salaries and allowances under pre-incorporation expenses include basic salary, housing allowance and transportation allowance paid by Al-Omran Company to employees whose hiring started in May 2012 in preparation for the Company incorporation. These expenses were entered in the Company's income statement upon its actual incorporation on July 3, 2013.

#### 7 - 4 - 2 Quarry Expenses

Quarry expenses include surface rental, and extraction fees of limestone extracted from both quarries located in Hurat Hadonarea. Annual surface rental (per Hijri year) is SAR 590,000 at the rate of SAR 10,000 per Km2. Limestone extraction fees are SAR 2.25 per ton of limestone extracted by the Company from both quarries with a minimum of SAR 90,000 per quarry per Hijri year. The following table shows the details of quarry expenses during the pre-incorporation period, which were paid by Al-Omarn Company, and then entered in the Company's income statement upon the Company incorporation.

**Table # 49 Quarry Expenses during the Pre-incorporation Period**

Thousand Saudi Riyals	License # Q/1	License #Q/ 2	Total
Surface rental for 1433H. (Nov 26, 2011 to Nov 14, 2012) (354 days)	340	250	590
Minimum limestone extraction fees for year 1433H (354 days)	90	90	180
Other related expenses for year 1433H. (354 days)	13	13	26
Year 1433H. subtotal	443	353	796
Surface rental for 1434H. (Nov 15, 2012 to July 2, 2013) (230 days)	221	162	383
Minimum limestone extraction fees for year 1434H (Nov 15, 2012 to July 2, 2013) (230 days)	58	58	116
Year 1434H. subtotal	279	221	500
Quarry expenses during pre-incorporation period	723	574	1,297

Source: The Company

#### 7 - 4 - 3 Travel and Assignment Expenses

Travel and assignment expenses include expenses related to consultants travel between Europe and Saudi Arabia, overnight allowances, car rentals and costs of hospitality services. They also include consultant transportation to quarries sites, and expenses of Company management trips to China during the negotiations stage with Sinoma International with respect to cement building contract.

#### 7 - 4 - 4 Advertisement Expenses

Advertisement expenses include the cost of publishing Umm Al-Qura Cement Company incorporation news in the Saudi official newspapers as required by the Companies Regulations.

#### 7 - 4 - 5 Shipping and Custom Clearing Expenses

Prior to the date of the Company's incorporation, Al-Omran Company signed all Company contracts including a contract with Austroplan Austrian Engineering GmbH (Austroplan) in Austria for conducting a geological study of both quarries. The study required the shipment of some limestone specimens extracted from the quarries in Saudi Arabia to Austria for laboratory analysis, and thus the Company had to pay shipping and custom clearing expenses.

### 7 - 5 Pre-operation Expenses

The following table shows pre-operation expenses during the period from July 3, 2013 to 31 December 2013.

**Table # 50 Pre-operation Expenses**

Thousand Saudi Riyals	Dec. 2013
Salaries and allowances	2,490
Quarries expenses	373
Administration building rental*	71
Consulting and legal expenses	139
Office supplies	26
Depreciation expenses	19
Travel expenses	150
Governmental fees	37
Other expenses**	215
<b>Total</b>	<b>3,520</b>

Source: audited financial statements

\*administration building rental includes an amount of 7,000 Saudi Riyals paid to the previous tenant of administration building for the remaining period of building lease term.

\*\*other expenses item includes a number of expenses, most important ones are car rental, consultation and research expenses and hospitality and public relations expenses.

#### 7 - 5 - 1 Salaries and Allowances

Salaries and allowances under pre-operation expenses include basic salary, housing allowance and transportation allowance the Company paid to employees whose number was 113.

#### 7 - 5 - 2 Quarries Expenses

Quarries expenses under pre-operation expenses include surface rental and extraction fees of limestone extracted from quarries, which the Company paid from the date of its incorporation until the end of Dec. 2013. The following table shows quarries expenses during the pre-operation period:

**Table # 51 Quarries Expenses**

Thousand Saudi Riyals	License # Q/1	License # Q/2	Total
Surface rental for 1434H until 27/2/1435H (July 3 until 31 December 2013) (174 days)	164	121	285
Minimum limestone extraction fees for 1434H until 27/2/1435H (July 3 until 31 December 2013) (174 days)	44	44	88
<b>Total pre-operation quarry expenses</b>	<b>208</b>	<b>165</b>	<b>373</b>

Source: The Company

#### 7 - 6 Financing Expenses

Financing expenses include the cost of loan obtained from Riyadh Bank through Al-Omran Company for settlement of first payment due to Sinoma International Company. The loan was 8 million Riyals, and the loan's administrative and financing costs were SR282,663. The Company settled the loan on May 21, 2013.

## 7 - 7 Analysis of the Statement of Financial Position

The following table shows the Financial Position as at 31 December 2013

**Table # 52 Financial Position**

Thousand Saudi Riyals	Dec 2013
<b>Assets</b>	
Current assets	
Cash at banks	136,615
Prepayments and other assets	786
Total current assets	137,401
Projects in progress	131,957
Properties and equipment	142
Total non-current assets	132,099
<b>Total assets</b>	<b>269,500</b>
<b>Liabilities and shareholders equity</b>	
Current liabilities	
Accounts payable	1,014
Accrued expenditures	288
Zakat provision	-
Total current liabilities	1,302
End of service indemnities	61
Total liabilities	1,362
Capital	275,000
Accumulated losses	(6,863)
<b>Total shareholders equity</b>	<b>268,137</b>
<b>Total liabilities and shareholder equity</b>	<b>269,500</b>

Source: audited financial statements

### 7 - 7 - 1 Introduction

Umm Al-Qura Cement Company was incorporated with paid up capital of 275 million Saudi Riyals. The Company's Share Capital was the main source for financing during the period from July 3 until 31 December 2013, as the capital was used to pay expenditures related to building of the Cement Plant in Taif and both pre-incorporation expenses and pre-operation expenses.

### 7 - 7 - 2 Working Capital

Umm Al-Qura Cement Company hereby declares that it has working capital sufficient for a period of 12 months from the date of this Prospectus.

### 7 - 7 - 3 Cash at Banks

The following table shows cash balances at banks as at 31 December 2013.

**Table # 53 Details of Cash Balances at Banks**

Thousand Saudi Riyal	Dec. 2013
Bank Al-Bilad	72,787
Riyadh Bank	23,828
Saudi Fransi Bank	40,000
<b>Total</b>	<b>136,615</b>

Source: The Company

Cash balance at banks constituted 99.4% of the Company's total current assets and 50.7% of its total assets as at 31 December 2013. The Company uses its Riyadh Bank account to settle all its cash expenses such as factory building costs, pre-incorporation expenses, and pre-operation expenses, which included quarries rentals and consultants related expenses.

Cash balance at banks is the remaining cash balance from the Paid up Capital of 275 million Saudi Riyals after payment of expenses related to the building of the Cement Plant in Taif Governorate, which are divided into pre-incorporation expenses and pre-operation expenses.

### 7 - 7 - 4 Prepayments and Other Assets

The following table shows prepayments and other assets as at 31 December 2013

**Table # 54 Prepayments and Other Assets**

Thousand Saudi Riyals	Dec 2013
Prepayments	758
Employee petty cash	28
<b>Total</b>	<b>786</b>

Source: audited financial statements

Prepayments and other assets constitute 0.6% of the Company's current assets and 0.3% of its total assets as at 31 December 2013. They consist mainly of prepaid labor visa expenses of SAR 728,000 in addition to the rental of main office in Riyadh, which the Company management uses to carry out its activities. The current rental contract term is three (3) Gregorian years as of Jan 1, 2013. The annual rent is SAR 64,000 paid by Company in two installments. The prepaid rent is SR30,000 for the period Aug 1, 2013 to the end of 2013.

Employee petty cash consists of amounts the Company Management allocates to meet main office needs and to purchase computers and printers for employees as needed.

### 7 - 7 - 5 Projects in Progress

This item includes costs of building the Cement Plant in Taif. It is expected that commercial operation of the Plant will begin in the first quarter of 2016. It is worthwhile to mention that the land on which the Plant will be built is rented from the Ministry of Petroleum and Mineral Resources for a period of 30 Hijri years in accordance with the license granted to the Company for the exploitation of limestone in the quarries. The total cost of building the factory was estimated at about SAR 1.3 billion inclusive of its building contract, fixed assets and facilities. The certified public accountant has placed an advance payment for Sinoma International of SAR 123.2 million under the item "Projects under Progress" because it is part of Portland Cement Plant total cost.

The following table shows details of projects under progress as at 31 December 2013

**Table # 55 Details of Projects in Progress**

Thousand Saudi Riyal	Contract date	Contract status	Work nature	Total value	Billed value
Sinoma International	March 15, 2013	Underway	Building cement project	803,063	123,166
Munir bin Saud Albuqmi	Sept 1, 2013	Underway	Building roads on Site	576	576
Abdul-Aziz Al-Omran Co.	Jan 25, 2012	Completed	Field survey	569	569
Deputy Ministry for Mineral Resources	Nov 26, 2011	Underway	Quarry rental	30	30
Earnest Young & Co. (Certified public accountant)	Aug 1, 2013	Underway	Financial care	230	115
Al-Rasheed for Soil & Materials	Nov 4, 2013	Underway	Environmental study	110	44
Austroplan Engineering Consultations	Jan 12, 2012	Underway	Supervision over factory contractor	11,786	4,491
Austroplan Engineering Consultations (allowances)*	Jan 12, 2012	Underway	Supervision over factory contractor	1,270	236
Holtec Consulting	Jan 21, 2012	Completed	Geological survey	638	638
Abdul-Aziz Al- Fahad Office for Legal Consultation	July 18, 2013	Underway	Legal consultation	350	200
Al- Jazzar Co.	Jun 19, 2013	Completed	Geological survey	-	220
Ascom Mining	Jan 20, 2012	Completed	Geological survey & consultations	275	275
Arab Mining Co.	April 16, 2012	Completed	Geological survey & consultations	917	917
Abdul-Allah Al-Zein	Dec 26, 2011	Completed	Geological survey & consultations	430	430
Kipoz	-	Completed	Third party opinion	-	50
<b>Total</b>				<b>820,243</b>	<b>131,957</b>

Source: The Company

\* Note: Under the contract with Austroplan Engineering Consultations, visiting engineers are to be paid daily expense allowance based on actual cost.

Projects in progress balance represents the largest component of noncurrent assets, and 48.9% of Company total assets as at 31 December 2013 as this balance is related to the building of Cement Plant in Hurrat Hudn, Taif Governorate.

## 7 - 7 - 6 Fixed Assets

The following table shows net book value of Company's fixed assets as at 31 December 2013

**Table # 56 Details of Fixed Assets**

Thousand Saudi Riyals	Dec 2013
Computers	25
Furniture	51
Printers	67
<b>Total</b>	<b>143</b>

Source: audited financial statements

Printers represent the largest component of fixed assets as at 31 December 2013. There are 3 laser printers, 6 desk-top computers and one lap-top computer while the furniture consists of desks and chairs in the Company's main office.

## 7 - 7 - 7 Accounts Payable

Accounts payable represent 77.9% of total current liabilities as at 31 December 2013. The following table shows details of accounts payable at the end of the same period.

**Table # 57 Accounts Payable**

Thousand Saudi Riyal Dec 2013	Purpose	Date of contract	Contract status	Contract value	Remaining value
Fahd Salman Bamas	Settlement of rent/ Company main office	Dec 13, 2013	completed	291	291
Austroplan Engineering Consultations	Supervision over factory contractor	Jan 12, 2012	Underway	11,786	236
Austroplan Engineering Consultations (allowances)	Supervision over factory contractor	Jan 12, 2012	Underway	1,270	-
Holtec Consulting	Geological survey and consultations	Jan 21, 2013	Completed	638	127
Deputy Ministry for Mineral Resources	Quarry rental	Nov 26, 2011	Underway	770	120
Abdul-Aziz Al- Fahad office for Legal consultations	Legal consultations	July 18, 2013	Underway	350	100
General Organization for Social Insurance	Social insurance	-	Underway	48	48
Al- Hoshan Certified public accountants & Auditors	Auditing services	May 9, 2013	Underway	67	45
Munir bin Saud Al-Buqami	Building road on site	Sept 1, 2013	Underway	576	43
Arab Mining Co.	Geological survey	April 16, 2012	Completed	917	3
<b>Total</b>				<b>16,713</b>	<b>1,014</b>

Source: The Company

\* Note: under contract with Austroplan Engineering consultations, visiting engineers are to be paid daily expense allowance based on actual cost.

## 7 - 7 - 8 Accrued Expenses and Other Liabilities

The following table shows balances of accrued expenses as at Dec. 31, 2013

**Table # 58 Details of accrued expenses and Liabilities**

Thousand Saudi Riyals	Dec 2013
Accrued salaries	173
Employee accrued leaves allowance	98
Employee accrued travel tickets allowance	17
<b>Total</b>	<b>288</b>

Source: The Company

Accrued expenses represent 22% of current liabilities as at 31 December 2013. Accrued salaries represent 60% of the total of these expenses, and consist of accrued salaries and benefits of three employees for the month of July 2013, which were paid in the following month. Other accrued expenses are accrued leaves allowance and accrued travel tickets allowance for employees until 31 December 2013.

## 7 - 7 - 9 Zakat Provision

The following table shows details of calculating zakat provision as at 31 December 2013:

**Table # 59 Details of Calculating Zakat**

Thousand Saudi Riyals	Dec 2013
Net period loss before zakat	(6,863)
Zakat adjustments	61
Net adjusted loss	(6,802)
Capital	275,000
Net adjusted loss	(6,802)
Fixed assets	(142)
Projects in progress	(131,957)
Zakat base	136,099
<b>Zakat (no zakat as the one year requirement is not met)</b>	<b>-</b>

Source: Audited financial statements

In accordance with Saudi laws, the Company should submit the first zakat declaration to Income and Zakat Department at the end of first fiscal period, which extends from the date of incorporation on 3 July to 31 December 2014G. However, there is no zakat due on the Company to the Zakat Department because the Company suffered a net loss of SAR 6.9 million during the period from 3 July to 31 Dec. 2013. It also did not submit zakat declaration because less than one year has elapsed since the Company's date of incorporation.

The Company further declares that there are no zakat-related claims on the Company for Zakat Department until the date of this Prospectus.

## 7 - 7 - 10 End of Service Indemnity Provision

The Company has recognized an amount of SAR 60,771 as end of service indemnity provision for employees until 31 December 2013.



#### 7 - 7 - 11 Depreciation Policy

Depreciation is calculated using the straight-line method over the estimated useful life of fixed assets (computers, furniture and printers), and the Company expects no change in the method used to calculate depreciation.

#### 7 - 8 Items outside Financial Statements and Contingent Liabilities

Umm Al-Qura Cement Company hereby confirms that there are no assets or liabilities outside the financial statements as at 31 December 2013. Moreover, bank certifications contain no contingent liabilities in the form of letters of guarantee or letters of documentary credit.

It is worthwhile to mention that Umm Al-Qura Cement Company has obligations in the form of contracts to build the cement plant with several parties with a total value of 1.3 billion Riyals, and will obtain facilities from financing parties to finance the plant building.

#### 7 - 9 Seasonal Factors and Economic Cycles

Demand volume for Company products depends on several factors. Some of these factors are beyond the Management's control. They include the Kingdom's economic performance and its impact on developmental projects, infrastructure projects and housing projects. The demand for cement increases commensurate with the projects. Demand for some Company products may decrease during the summer holiday season and the Holy month of Ramadan. In addition to that, cement sector regulations and competition among cement companies may affect Company performance in the future.

## 8. Dividends Distribution Policy

Announcement of distribution of Dividends to Shareholders will depend on the Company's income, its financial position, Market conditions, the general economic conditions, and other factors including analysis of investment opportunities, the Company's reinvestment requirements, cash and capital requirements, prospects and impact of such distributions on the legal and statutory considerations.

Before distribution of dividends to Shareholders, the Company shall set aside 10% of the net profit, after deducting overheads and other costs as a statutory reserve. The General Assembly may stop setting aside of such statutory reserves when the legal reserve reaches half of the Paid-up Capital of the Company.

UACC intends to pay annual dividends to its Shareholders, but it is unlikely that the Company will be in a position that enables it to pay annual dividends to its Shareholders during the first years following the IPO, as such early years are considered the stage of establishing the Company and building the project and the Company's facilities. The Company cannot give any assurances that it will distribute any dividends after that or the amounts that will be distributed in any given year.

The annual net profits of the Company shall be distributed after deducting all general expenses and other costs as follows:

1. Setting a side 10% of the net profits for Statutory Reserve. The Ordinary General Shareholders Assembly may stop such provisioning when the Statutory Reserve reaches half of the Company's capital.
2. Holders of Preferred Shares will receive the same percentage of profits determined for such Shares.
3. The Ordinary General Shareholders Assembly, based on the Board's recommendations, may set aside a certain percentage from the net profit to form other reserves for any other intended purposes.
4. From the remaining profits, the Company will distribute to its Shareholders an amount equals to at least 5% of its paid up capital.
5. From the remaining amount, a sum not exceeding 10% will be dedicated for rewarding the Board Members.
6. The rest is distributed to shareholders as an additional share of the profits.
7. The Company may, after meeting the regulations laid down by the competent authorities, distribute semi-annual and quarterly dividends.

It should be also noted that, according to one of the terms of the loan agreement with the Saudi Industrial Development Fund (SIDF), the Borrower undertakes at all times during the term of the loan, unless it otherwise obtains a prior written approval from SUDF, that the profits earmarked for distribution / withdrawals should not exceed 25% of the Paid-up Capital or the total loan installments accrued during the year of distribution, whichever is less.

## 9. Use of Offering Proceeds and Future Projects

### 9 - 1 Use of Offering Proceeds

#### 9 - 1 - 1 Use of Offering Proceeds

The Total value of Offering Proceeds will be (SAR 275,000,000) Two Hundred Seventy Five Million Saudi Riyals. The Company's expenses related to the Offering is expected to stand at (SAR 12,000,000) Twelve Million Saudi Riyals, including fees of the Financial Advisor, Legal Advisor, Reporting Accountants, Media and Public Relations consultants and other expenses related to the Offering. The Company will bear these costs and pay them directly.

The Company is committed to announce the details of the use of Offering Proceeds and the developments of the implementation of the Cement Plant to the public on a quarterly basis.

**Table 60: Use of Proceeds**

Item	Q2 2014	Q3 2014	Total
IPO Expenses	12,000,000	-	12,000,000
Construction and Building Contract with Senoma International*	103,785,676	159,214,324	263,000,000
<b>Total</b>	<b>115,785,676</b>	<b>159,214,324</b>	<b>275,000,000</b>

Source: The Company

\*. The Company will pay part of the Construction and Building works with Senoma through monthly payments from the total net Offering Proceeds, as the amount is considered to be part of the Contract Value.

### 9 - 2 Portland Cement Plant Construction Project

**Table 61: Elements of Investment Capital Costs**

Plant Investment Capital Cost Element (AR)	
Construction and Building Contract with Senoma	803,062,500
Movable Mining Equipment	42,525,000
Power Plant (Substation)	152,510,068
Accommodation and Social Facilities	75,000,000
Plant surrounding roads Contracts	23,486,000
Control and Supervision of the Project Site	11,785,600
Construction of Deep Foundations	25,205,660
Working Capital Requirements of the Plant	78,002,245
IPO Expenses and costs	12,000,000
Financial Charges (SIDF)	56,400,000
Others	9,089,985
<b>Total</b>	<b>1,289,067,058</b>

Source: The Company

**Table 62: Sources of Investment Capital Financing**

Investment Financing Resources (SAR)	
Current Capital	275,000,000
Offering Proceeds	275,000,000
SIDF Financing	678,000,000
Bank Financing	61,067,058
<b>Total</b>	<b>1,289,067,058</b>

Source: The Company

Payments for construction of the Cement Plant Project as at 31 December 2013 stood (SAR 138,657,557) including an amount of (SAR 123 165 566) for Sinoma International Co., (SAR 4,491,494) for Astroplan Company, (SAR 576,000) for the contracts related to roads surrounding the Plant, (SAR 6,539,712) for the Plant needs of Working Capital and (SAR 3,884,785) as Other Expenses .

**Table 63: Uses of Financing sources as at 31 December 2013G**

Usage of Financing as at 31 December 2013G (SAR)	
Construction and Building Contract with Senoma	123,165,566
Plant surrounding roads Contracts	576,000
Control and Supervision of the Project Site	4,491,494
Working Capital Requirements of the Plant	6,539,712
Others	3,884,785
<b>Total</b>	<b>138,657,557</b>

Source: The Company

**Table 64: Sources of Financing as at 31 December 2013G**

Investment Financing Resources (SAR)	
Company Financing	138,657,557
Offering Proceeds	-
SIDF Financing	-
Bank Financing	-
<b>Total</b>	<b>138,657,557</b>

Source: The Company

The remaining capital expenditures of (SAR 1,150,409,501) will be financed through a loan of (SAR 678,000,000) from the Saudi Industrial Development Fund, an amount of (SAR 61,067,058) through short term loan from one of the banks and an amount of (SAR 263,000,000) from the Net Offering Proceeds, which will be used as follows

**Table 65: Remaining Capital Costs as at 31 December 2013G**

Remaining Cost (SAR)	
Construction and Building Contract with Senoma	679,896,934
Movable Mining Equipment	42,525,000
Power Plant (Substation)	152,510,068
Accommodation and Social Facilities	75,000,000
Plant surrounding roads Contracts	22,910,000
Control and Supervision of the Project Site	7,294,106
Construction of Deep Foundations	25,205,660
Working Capital Requirements of the Plant	71,462,533
IPO Expenses and costs	12,000,000
Financial Charges (SIDF)	56,400,000
Others	5,205,200
<b>Total</b>	<b>1,150,409,501</b>

Source: The Company

**Table 66: Their Sources of Financing as at 31 December 2013G**

Financing Sources (SAR)	
Offering Proceeds	136,342,443
SIDF Financing	275,000,000
Bank Financing	678,000,000
Offering Proceeds	61,067,058
<b>Total</b>	<b>1,150,409,501</b>

Source: The Company

It should be noted that the Company has obtained the approval of the Board of Directors of the Saudi Industrial Development Fund for financing an amount of SAR 678,000,000. It has not signed the Financing Agreement until the date of issuance of this Prospectus, although one of the preconditions for granting the loan is to offer the Company's shares for public subscription. As for the bank financing, the Company intends to apply for funding from several local banks in order to obtain financing in the amount of SAR 61,067,058 in 2015.

### 9 - 3 Major Contracts Related to Portland Cement Plant

#### 9 - 3 - 1 Agreement with Sinoma International Co.

On 15.03.2013G, the Company entered into a contract with Sinoma International Co. to build the Portland Cement production line with a capacity of 6,000 tons of clinker per day on turnkey basis for an amount of (USD 214,150,000) equivalent to (SAR 803,062,500), and implementation period of 30 months from the effective date of the contract. Implementation of the plant started in May 2013G and it is ongoing according to plan to start commissioning in the fourth quarter of 2015.

The contract includes engineering designs, supply of plant equipment, construction and civil works and delivery to the plant; testing and commissioning and performance tests; guarantee of these works and warranty to repair or replace any defects related to the plant; as well as carrying out operation and maintenance works for one year from the date of handing over.

As at 31 December 2013G, an amount of SAR 123,165,566 has been paid to Sinoma International Company to build the cement plant. The Company intends to pay the remaining amount of SAR 679,896,934 on the basis of monthly payments extending to November 2015.

**Table 67: Distribution of costs of the Agreement with Senoma**

Description	Type of Service	Contract Price (SAR)	Contract Price (USD)	Realized Costs (SAR)	Remaining Costs (SAR)
Engineering Services Provision Contract	Offshore	609,210,195	162,456,052	-	-
Construction Contract of the new Portland Cement Contract	Onshore	193,852,305	51,693,948	-	-
<b>Total</b>		<b>803,062,500</b>	<b>214,150,000</b>	<b>123,165,566</b>	<b>679,896,934</b>

Source: The Company

### 9 - 3 - 2 Mobile Mining Equipment Supply Agreement

The Company intends to conclude an agreement with a specialized company to supply mobile mining equipment for the Plant for an estimated cost of (SAR 42,525,000). The Company has not received any bids for the supply of mobile mining equipment up to the date of this Prospectus.

As at December 31, 2013G, no amount has been paid for supply of such equipment and the Company intends to make payment in installments ending in December, 2015G.

**Table 68: Supply of Movable Mining Equipment**

Description	Contract Price (SAR)	Realized Costs (SAR)	Remaining Costs (SAR)
Supply of Movable Mining Equipment Contract	42,525,000	-	42,525,000
<b>Total</b>	<b>42,525,000</b>	<b>-</b>	<b>42,525,000</b>

Source: The Company

### 9 - 3 - 3 Power Plant Construction Agreement

The Company is currently negotiating with several international companies to build a power plant for the plant for an estimated cost of (SAR 152,510,068). The Company received several bids from these companies and is currently in the process of negotiating with them. It should be noted that the Company has not signed a contract with any of these companies up to the date of this Prospectus.

As at December 31, 2013G, no amount has been paid for building the power plant and the Company intends to make payments in installments ending in December 2015G.

**Table 69: Power Plant**

Description	Contract Price (SAR)	Realized Costs (SAR)	Remaining Costs (SAR)
Power Plant Construction Agreement	152,510,068	-	152,510,068
<b>Total</b>	<b>152,510,068</b>	<b>-</b>	<b>152,510,068</b>

Source: The Company

#### 9 - 3 - 4 Agreement for Construction of Residential Complex and Social Facilities

The Company intends to conclude an agreement with one of the specialized companies to build a residential complex and social facilities for the benefit of the Plant for an estimated cost of (SAR 75,000,000). The Company has not received any bids concerning the construction of the residential complex up to the date of this Prospectus.

As at December 31, 2013G, no amount has been paid for construction of the residential complex and social facilities and the Company intends to make the payment in installments ending in December 2015G.

**Table 70: Construction of Residential Complex and Social Facilities**

Description	Contract Price (SAR)	Realized Costs (SAR)	Remaining Costs (SAR)
Construction of Residential Complex and Social Facilities Project	75,000,000	-	75,000,000
<b>Total</b>	<b>75,000,000</b>	<b>-</b>	<b>75,000,000</b>

Source: The Company

#### 9 - 3 - 5 Agreement for Construction of Roads Surrounding the Plant

During the year 2013G, the Company has constructed a temporary access road to the Plant site by local contractors for an amount of (SAR 576,000). The Company intends to conclude another agreement with a specialized company for the construction of roads surrounding the Plant for an estimated cost of (SAR 22,910,000). The Company has not received any bids relating to the construction of the roads around the plant until the date of this Prospectus.

As at December 31, 2013G, an amount of (SAR 576,000) has been paid to construct roads surrounding the plant, and the Company intends to pay the remaining amount in installments ending in December 2015G.

**Table 71: Construction of Roads Surrounding the Plant**

Description	Contract Price (SAR)	Realized Costs (SAR)	Remaining Costs (SAR)
Construction of Roads Surrounding the Plant Project	23,486,000	576,000	22,910,000
<b>Total</b>	<b>23,486,000</b>	<b>576,000</b>	<b>22,910,000</b>

Source: The Company

#### 9 - 3 - 6 Agreement with Saudi BAUER Foundation Contractor Ltd.

The Company has entered into an agreement on 17/12/2013G with Saudi BAUER Foundation Contractor Ltd. for construction of deep foundations to strengthen the soil on which the plant will be built, for an amount of (SAR 25,205,660). Construction works are ongoing according to plan. The contract included the excavation and construction of deep foundations to strengthen the soil on which the Plant will be construction.

As at December 31, 2013G, no amount has been paid to Saudi BAUER Foundation Contractor Ltd, and the Company intends to make payment in installments ending in April 2015G .

**Table 72: BAUER Foundation Contractor Ltd.**

Description	Contract Price (SAR)	Realized Costs (SAR)	Remaining Costs (SAR)
Deep Foundation Construction Contract	25,205,660	0	25,205,660
<b>Total</b>	<b>25,205,660</b>	<b>0</b>	<b>25,205,660</b>

Source: The Company

### 9 - 3 - 7 Agreement for Control and Supervision of the Plant Site

This agreement was signed on 05/03/2013G with the Austrian Austroplan Engineering GmbH ("Austroplan") to provide advisory services of supervision and control of the Cement Plant project for an amount of (SAR 11,785,600).

As at December 31, 2013G, an amount of (SAR 4,491,494) has been paid to Austroplan for consulting services of supervision and control of the Plant. The Company intends to pay the remaining amount of (SAR 7,294,106) in installments ending in December 2015G.

**Table 73: Provision of Control and Supervision services on the Plant Site**

Description	Contract Price (SAR)	Contract Price (Euro)	Realized Costs (SAR)	Remaining Costs (SAR)
Supervision and Control Services Contract On Cement Plant Project	11,785,600	2,320,000	4,491,494	7,294,106
<b>Total</b>	<b>11,785,600</b>	<b>2,320,000</b>	<b>4,491,494</b>	<b>7,294,106</b>

Source: The Company

\* Price is variable based on the exchange rate of Euro against Saudi Riyal.

### 9 - 3 - 8 Plant Needs of Working Capital

The Plant's need of working capital is estimated at SAR 78,002,245, representing salaries of employees, costs of initial cement production, rentals of raw materials quarries, travel and transport expenses, and other financial expenses that the Company will need during the pre-operation period.

### 9 - 3 - 9 Financing Costs

The Company will incur financing charges of SAR 56,400,000 for obtaining a loan from the Saudi Industrial Development Fund .

### 9 - 3 - 10 Other Costs

The Plant's need of other costs is estimated at SAR 9,089,985, representing a group of non-capital expenses that the Company would incur during the period before operation such as costs of preparation of feasibility studies on White Cement project and studies of environmental impacts.

**Table 74: Time Schedule and Cost of Construction of Portland Cement Project**

Description	2013G	2014G	2015G	Total
Uses of Financing Sources (SAR)				
Construction and Building Contract with Senoma	123,165,566	459,473,153	220,423,781	803,062,500
Movable Mining Equipment	-	-	42,525,000	42,525,000
Power Plant (Substation)	-	76,255,034	76,255,034	152,510,068
Accommodation and Social Facilities	-	-	75,000,000	75,000,000
Plant surrounding roads Contracts	576,000	500,000	22,410,000	23,486,000
Control and Supervision of the Project Site	4,491,494	3,647,053	3,647,053	11,785,600



Description	2013G	2014G	2015G	Total
Construction of Deep Foundations	-	23,945,377	1,260,283	25,205,660
Working Capital Requirements of the Plant	6,324,712	17,922,113	53,755,420	78,002,245
IPO Expenses and costs	215,000	11,785,000	-	12,000,000
Financial Charges (SIDF)	0	56,400,000	-	56,400,000
Others	3,884,785	4,547,000	658,200	9,089,985
<b>Total</b>	<b>138,657,557</b>	<b>654,474,730</b>	<b>495,934,771</b>	<b>1,289,067,058</b>
<b>Financing Resources</b>				
Cash	138,657,557	136,342,443	-	275,000,000
Offering Proceeds	-	137,500,000	137,500,000	275,000,000
SIDF Financing	-	380,632,287	297,947,713	678,000,000
Bank Financing	-	-	61,067,058	61,067,058
<b>Total</b>	<b>138,657,557</b>	<b>654,474,730</b>	<b>495,934,771</b>	<b>1,289,067,058</b>

Source: The Company

**Table (75) Time Schedule and Main Phases of Plant Implementation as per the contract with the Sinoma International Co.**

Period	Phase
2013G	<ul style="list-style-type: none"> <li>• Start of basic design works for the plant</li> <li>• Approval of the plant basic designs by the Company</li> <li>• Completion of basic designs of the plant</li> <li>• Start of detailed soil testing works</li> <li>• Completion of detailed soil testing</li> <li>• Start of detailed design works</li> <li>• Start manufacturing of Plant Equipment</li> <li>• Start Construction and building of the Plant</li> </ul>
Q1, 2014	<ul style="list-style-type: none"> <li>• Completion of detailed designs</li> <li>• Start delivery of Plant equipment</li> <li>• Start installation of Plant equipment</li> </ul>
Q2, 2014	<ul style="list-style-type: none"> <li>• Approval of the detailed designs by the Company</li> </ul>
Q4, 2014	<ul style="list-style-type: none"> <li>• Completion of manufacturing Plant equipment</li> <li>• Completion of delivery of Plant equipment</li> </ul>
Q1, 2015	<ul style="list-style-type: none"> <li>• Completion of Construction of the Plant building</li> <li>• Completion of installation of Plant equipment</li> <li>• Start initial cement production</li> </ul>
Q2, 2015	<ul style="list-style-type: none"> <li>• Completion of initial cement production</li> </ul>

Period	Phase
Q3, 2015	<ul style="list-style-type: none"><li>• Start of performance tests of the Plant</li></ul>
Q4, 2015	<ul style="list-style-type: none"><li>• Completion of the plant performance testing</li><li>• Start commissioning</li></ul>
Q1, 2016	<ul style="list-style-type: none"><li>• Start commercial production</li></ul>

Source: The Company

**Table 76: Quarterly expenses for Construction of Portland Cement Project**

Time Period	Building and Construction Contract with Senoma *	Movable Mining Equipment	Power Plant equipment	Accommodation and Social Facilities	Plant Surrounding Roads contracts	Control and Supervision of the Plant Site	Construction of Deep Foundations	Plant Needs of Working Capital	IPO Expenses	Financial Cost	Other	Total
Year 2013G	123,165,560	-	0	-	576,000	4,491,494	-	6,539,712	215,000	-	3,884,785	138,872,551
Q1, 2014	70,596,675	-	19,063,758	-	125,000	911,763.30	18,904,245	4,853,500	-	28,200,000	1,779,667	144,434,608
Q2, 2014	138,004,328	-	19,063,758	-	125,000	911,763.30	5,041,132	4,281,078	-	28,200,000	1,188,333	196,815,392
Q3, 2014	159,214,324	-	19,063,758	-	125,000	911,763.30	-	4,001,018	11,785,000	-	786,001	195,886,864
Q4, 2014	91,657,826	-	19,063,758	-	125,000	911,763.30	-	4,571,518	-	-	792,999	117,122,864
Q1, 2015	52,667,194	4,252,500	19,063,758	-	5,602,500	911,763.30	-	7,759,355	-	-	167,000	90,424,070
Q2, 2015	87,450,338	12,757,500	19,063,758	-	5,602,500	911,763.30	1,260,283	11,461,688	-	-	319,000	138,826,830
Q3, 2015	-	12,757,500	19,063,758	37,500,000	5,602,500	911,763.30	-	15,078,688	-	-	172,200	91,086,409
Q4, 2015	80,306,255	12,757,500	19,063,762	37,500,000	5,602,500	911,763.30	-	19,455,688	-	-	-	175,597,468
Total Estimated Costs	803,062,500	42,525,000	152,510,068	75,000,000	23,486,000	11,785,600	25,205,660	78,002,245	12,000,000	56,400,000	9,089,985	1,289,067,058

Source: The Company

\*: The Company will pay part of the Construction and Building works with Senoma through monthly payments from the total net Offering Proceeds, as the amount is considered to be part of the Contract Value.

## 10. Experts' Statement

None of the advisors/ professionals whose names are mentioned in page (C) of this Prospectus has provided any notes or statements that should have been included in the Prospectus other than what is stated in it in sections "Information on the Market and Industry" and "Auditors Report". The Financial Advisor, Legal Advisor, Market and Geological Study Consultant, Due Diligence Consultant, Certified Public Accountant, and Media Advisor have consented to the inclusion in the Prospectus of the references made to their names and logos in the form and context in which they appear, and has not withdrawn such consent until the date of the Prospectus. It is also worth noting that neither the parties, nor their employees and relatives have any kind of interest of whatsoever or shares in the Company or any of its affiliates/subsidiaries. The Market and Geological Study Consultant Certified Public Accountant have consented to publish their statements in the form they are presented in this Prospectus and have not withdrawn such consent until the date of the Prospectus.

Following is a brief of the qualifications of the Market and Geological Study Consultant Certified Public Accountant:

### **The Market and Geological Study Consultant - Holtec Private Consultant Limited**

Holtec is an independent consulting firm founded in 1967G and received an ISO certificate to provide consultancy services for cement sector worldwide. It also provides market and industry studies and considered to be an international consulting firm in various disciplines of engineering, with its headquarters in Gurgaon, India. Holtec enjoys experience in the cement industry in particular, where it provided many consulting services for cement companies.

### **Certified public accountant – Al Hoshan Certified Public Accountants:**

Al Hoshan Office, Certified Public Accountants, obtained a license from the Saudi Organization for Certified Public Accountants No. 423, dated 14/08/1412H to practice accounting and auditing profession in the Kingdom. The Office includes many experienced and competent staff in the field of accounting and auditing services as well as Zakat and tax and economic management consulting. Al Hoshan is partnered with (RUSSELL BEDFORD INTERNATIONAL), London - United Kingdom.

## 11. Declarations of the Directors and Senior Executives

The Directors, Senior Executives and Board Secretary declare that:

- They have not declared bankruptcy at any time and have not been subject to bankruptcy proceedings.
- There has not been any insolvency during the last five years to any company where any member of the issuer's Board or any of its senior executives serving in such an insolvent company in a supervisory or managerial position.
- The Company has all necessary permits and licenses to start its activities.
- The founding shareholders have waived their preemptive right to subscribe in the Offering to increase the Company's capital from SAR 275,000,000 to SAR 550,000,000.
- All important items relating to the Company's loan from the Saudi Industrial Development Fund have been fully indicated. (Please see "Legal Information" Section, the paragraph entitled "Lending Agreement with SIDF").
- There is no intention currently to increase the Company's Board members until admission of the Company in the Exchange.
- With exception of the 2 quarry licenses, all valid contracts and transactions that have been concluded by AbdulazizOmran Al Omran & Partners Co. have been transferred to UACC.
- All material contracts and transactions entered into by the Company were included in the Material Contracts section of this Prospectus.
- There are no outstanding claims for AbdulazizOmran Al Omran & Partners to the interest of the Company.
- That there is no authority that grants any director or the Senior Executives the right to vote on any contract or proposal in which he has any material interest or that grants him the right to engage in any activity competing with the Company's activity or that grants him any commission or brokerage fees.
- That there is no authority that grants the directors or the Senior Executives the right to vote on remunerations granted to them.
- That there is no authority that grants the directors or the senior Executives the right to borrow from the Company.
- Neither them, nor their relatives have any direct or indirect interest in any competing companies.
- Have not given any commissions, discounts, brokerage fees or any other non-cash considerations by the issuer since the incorporation of the Company until the date of filing an application for listing and admission with regard to issuance or offer any security.
- There is no adverse material change in the Company's financial and commercial position occurred since the incorporation of the Company until the date of submittal of an application for the admission in the Exchange, in addition to the period covered in the public accountant report until the acceptance of the Prospectus.
- There is no intention or tendency to make any substantial change in the nature of the Company's business.
- Other than what was stated in the pages (29, 40 and 42) of this Prospectus, none of the Directors, Senior Executives or their relatives have any shares or interest of any kind in the Issuer.
- Other than what is stated in page (78) of this Prospectus, none of the Directors, Senior Executives or their relatives have any interest in the work of the Issuer through any contract or arrangement in effect or planned to be concluded upon submitting the Prospectus. There is no intention for that currently until the Company is listed in the Exchange.

## 12. Description of Shares

### 12 - 1 Share Capital

The Share Capital of the Company before Offering is fixed at SAR 275,000,000 (two hundred seventy five million Saudi Riyals) divided into 27,500,000 (twenty seven million five hundred thousand) equal shares with a nominal value of SAR 10 (ten Saudi Riyals) each and are all ordinary shares.

The Extra-Ordinary General Assembly may upon satisfying itself of the feasibility and subject to the approval of the competent authorities (including CMA), resolve to increase the Company's Capital on one or more occasions by issuing new shares at the same nominal value, provided however that the entire initial capital shall have been paid up and that the provisions of the Saudi Companies Regulations and the Capital Market Laws and the implementing regulations thereof be observed. There shall be indicated in the increase resolution the manner in which the capital shall be increased. The Shareholders shall have the preemptive right of subscription to the new cash shares and they shall announce such priority right in a daily newspaper, including the increase resolution and the subscription terms, as well as their desire to exercise their priority right within fifteen (15) days from the date of publication of said announcement.

The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that their total allotment does not exceed the number of new shares they have asked for. The remaining balance of the new Shares shall be offered for public subscription.

The Extra-Ordinary General Assembly may, based on certain justifiable causes and subject to the written consent of the Minister of Commerce and Industry and the CMA, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such a resolution shall be issued only after reading the Auditor's report on the reasons calling for such reduction, the liabilities of the Company and the effect of the reduction on such liabilities, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### 12 - 2 Shareholders' Rights

Each Share shall give its holder equal rights in the Company's assets and dividends as well as the right to attend, vote and participate in the discussions at meetings of the General Assembly, dispose of Shares, review the Company's books and records, monitor the functions of members of the Board and file a liability action against them. However, a Share does not give its holder a preemptive right.

### 12 - 3 Ordinary General Assembly

A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located. A general assembly may be either ordinary or extraordinary. Except for matters reserved for the Extra-Ordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's financial year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The Extra-Ordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the Companies Regulations. Furthermore, the Extra-Ordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

The Ordinary General Assembly is convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. A notice of the date and agenda of the General Assembly shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty five (25) days prior to the time set for such meeting.

The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days. Such notice shall be published in the manner provided for in Article (32) of the Company By-Laws. The second meeting shall be deemed valid irrespective of the number of Shares represented.

To have a quorum, the meeting of the Extra-Ordinary General Assembly should be attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such requirement is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as having the quorum if attended by a number of Shareholders representing at least one-quarter of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the representative designated by him. The Chairman shall appoint a Secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held/represented by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the Secretary and the Canvasser.

#### 12 - 4 Voting Rights

Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting. Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat. Resolutions of the Extra-Ordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Company's By-Laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting. Each Shareholder shall have the right to discuss the items listed on the General Assembly's agenda and to direct questions to the members of the Board and the auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not jeopardize the interest of the Company. Should a Shareholder consider the reply unsatisfactory, he can resort to the General Assembly whose resolution shall be considered as final.

#### 12 - 5 Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, new shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of the Share.

#### 12 - 6 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of issuance of the Minister of Commerce's resolution announcing the constitution of the Company. The Company's period may always be extended by a resolution of the Extra-Ordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

#### 12 - 7 Dissolution and Liquidation of the Company

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extra-Ordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

#### 12 - 8 Transfer of Shares

The transfer of Shares shall be governed by and comply with the regulations governing companies listed on Tadawul. Transfers made other than in accordance with such regulations shall be void. The Founding Shareholders

will be subject to a “lock-in” period whereby such Shareholders will be unable to dispose of their holding for a period of (\_\_\_), or at the commencement of the commercial production of the Plant, whichever comes later. Upon the expiry of the lock-in period, the Shareholders may dispose of their Shares subject to prior approval of CMA.

#### 12 - 9 Changes in Shareholders’ Rights

No change may be made to the Shareholders’ rights relating to their voting rights, the right to a specified percentage of net profits, rights in receiving any specified proceeds from such liquidation. Such rights are acquired rights under the Companies Regulations.

#### 12 - 10 Zakat

The Company and its subsidiaries are subject to the Zakat regulations in force in the Kingdom of Saudi Arabia. The Company shall deduct Zakat from the total net profit before dividend distribution.



## 13. Summary of Company's By-Laws

Umm Al-Qura Cement Company is a Saudi Joint Stock Company and its By-Laws have been approved by the Ministry of Commerce and Industry after being approved by the Constituent Assembly of the Company. The Company's By-Laws have been documented by the notary public at the Ministry of Commerce and Industry in Riyadh, under number 34197394, dated 29/07/1434H. The Minister of Commerce and Industry issued resolution No. Q/214 on 25/08/1434H, approving announcement of incorporation of Company. The Company has been issued Commercial Registration No. 1010382514, dated 28/08/1434H. In addition to the rights set forth in the Company's By-Laws, the Shareholders have other rights and obligations pursuant to Companies Regulation of the Kingdom.

The following is a summary of the Company's By-Laws:

### 13 - 1 Name of the Company

The name of the Company is "Umm Al-Qura Cement Company", a Saudi joint stock company.

### 13 - 2 Head Office of the Company

The Company's head office is located in the City of Riyadh, and the Board of Directors may open branches, offices or agencies for the Company within and outside the Kingdom of Saudi Arabia.

### 13 - 3 Objectives of the Company

1. Production of Portland Cement pursuant to the Industrial License No. Q/2, dated 01/01/1433H.
2. Production of all types of White Cement pursuant to the Industrial License No. Q/1 dated, 01/01/1433H.
3. Management and operation of Portland Cement and White Cement plants (of all types).
4. Wholesale and retail trade of the Company's products and building materials, including pozzolanic materials and building chemicals including import and export outside the Kingdom.
5. Management, operation and maintenance of industrial plants for the purpose of supplementing the Company's business.
6. Ready-mixed concrete and prefabricated buildings.
7. Acquisition of lands for establishment of buildings for the purpose of investment by sale or rental for the benefit of the Company.
8. Commercial agencies business.
9. Import and operation of radioactive equipment for the Company plants.
10. General contracting for buildings (construction, repair, demolition and renovation) and roads.
11. Specialized sub-contracting.
12. Installation Contracting.
13. Contracting and other construction works.
14. Maintenance and operation of residential and commercial buildings and industrial facilities.
15. Mechanical and electrical works.
16. Transport and storage of goods within and outside the Kingdom.

The Company conducts business after obtaining the necessary regulatory licenses.

### 13 - 4 Participation

The Company may have an interest in or may participate with, in any way whatsoever, other organisations or companies that conduct business similar to its business or that might assist it in achieving its objectives. The Company may also acquire shares in such organisations or companies or amalgamate with them. The Company may also have an interest in or may participate with, in any way whatsoever, other organisations or companies provided that such interest and/or participation does not exceed 30% of its reserves and 20% of the Share Capital of such organisation or company, provided that the aggregate value of such participations/interests does not exceed the total amount of the said reserves and that the Ordinary General Assembly must be notified of any such participations/interests.

### 13 - 5 Duration of the Company

The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the Establishment of the Company. The Company's duration may

be extended by a resolution of the Extra-Ordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

### 13 - 6 Share Capital of the Company

- a. The Share Capital of the Company is fixed at SAR 550,000,000 (Five hundred fifty million Saudi Riyals) divided into 55,000,000 (fifty five million) equal shares with a nominal value of SAR 10 (ten Saudi Riyals) per share.
1. The Company has committed itself to offer 50% of the shares of the Company, including the Cement plant, for public subscription at actual value, and the Founding Shareholders have waived their preemptive right for subscription to the new shares of the capital increase.

### 13 - 7 Subscription

The Founding Shareholders subscribed to a total of 27,500,000 (twenty seven million five hundred thousand) Ordinary Shares with a total and fully paid up nominal value of SAR 275,000,000 (two hundred seventy five million Saudi Riyals). After getting the necessary approvals, the Company will offer 27,500,000 (twenty seven million five hundred thousand) Ordinary Shares with a total value of SAR 275,000,000 (two hundred seventy five million Saudi Riyals) representing 50% of the total Share Capital for public subscription as per Article 77(b) of this By-Laws.

### 13 - 8 Failure to Pay the Remaining Value of Offer Shares

Should a Shareholder default in paying the share value at the prescribed time, the Board of Directors may serve him with a notice by registered letter at his address mentioned in the Shareholder's Register, informing him that such share shall be sold in public auction. However, the defaulting Shareholder may, until the date fixed for the auction, pay the due value in addition to the expenses incurred by the Company. The Company shall set off the due amounts from the sale proceeds and return the balance to the Shareholder. If the sale proceeds are not sufficient to cover such amount, the Company may then set off the balance from the Shareholder's funds. The Company shall then cancel the sold Shares and give the purchaser a new share bearing the same number of the cancelled one, and make an entry to this effect in the Shareholder's Register.

### 13 - 9 Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, new shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of the Share.

### 13 - 10 Trading of Shares

Shares shall be tradable pursuant to the rules, regulations and instructions issued by the Capital Market Authority. As an exception to the foregoing, cash shares subscribed for by the founding Shareholders may not be negotiated before the Company's financial statements have been published for the first two full fiscal years (being not less than twelve (12) months each) from the date of incorporation of the Company. The said restriction shall apply to any new Shares issued as a result of increasing the Company's Share Capital and subscribed for by the founding shareholders during the said restricted period. However, cash Shares may be transferred during the Lock-in Period in accordance with the rules applicable to the transfer of rights from one Founding Shareholder to another or to a Board Member to be presented to the management of the Company by way of security, or from the legal heirs of a deceased Shareholder to a third party.

### 13 - 11 Increase of Share Capital

The Extraordinary Assembly may upon satisfying itself of the feasibility study and subject to the approval of the competent authorities, resolve to increase the Company's Capital on one or more occasions by issuing new shares at the same nominal value, provided however that the entire initial capital shall have been paid up and that the provisions of the Saudi Companies Regulations be observed. There shall be indicated in the increase resolution the manner in which the capital shall be increased. The Shareholders shall have the priority right of subscription to the new cash shares and they shall announce such priority right in a daily newspaper, including the increase resolution and the subscription terms, as well as their desire to exercise their priority right within fifteen (15) days from the date of publication of said announcement. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining

new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that their total allotment does not exceed the number of new shares they have asked for. The remaining balance of the new Shares shall be offered for public subscription.

### 13 - 12 Decrease of Share Capital

Pursuant to a resolution by the Extra-Ordinary General Assembly, adopted on the basis of acceptable justifications and subject to the approval of the competent authorities, the Company's capital may be reduced if such capital is in excess of the Company's needs, or if the Company incurs losses. The resolution for reduction shall be adopted only after a reading of the auditor's report indicating the reasons necessitating such reduction, the liabilities of the Company, and the effect of the reduction on such liabilities, and it shall be in accordance with the Companies Regulations. The resolution shall also indicate the way the reduction is affected. If the reduction of capital is due to the capital being in excess over the Company's needs, the creditors must be invited to raise their objections thereto within sixty days from the date of publication of the resolution for reduction in a daily newspaper circulated in the locality of the head office of the Company. If any creditor objects to the reduction and submits to the Company, within the said period, the documents substantiating his claim, the Company must pay his debt if it is due and payable or submit adequate security for payment if it is payable at a future date.

### 13 - 13 Preferred Shares

Subject to the approval of the Ministry of Commerce and Industry and CMA, the Company may issue non-voting preferred shares not exceeding 50% of the Company's capital. In addition to their right to share the net dividends distributed on ordinary shares, the holders of preferred shares shall be entitled to:

- The right to receive a certain percentage of the net profits, not less than 5% of the Share par value after deduction of the statutory reserve and before any distribution of the profits of the Company;
- The right of priority to recover the value of their Shares in capital upon liquidation of the Company and to receive a certain percentage of the liquidation proceeds; and
- The Company may purchase said shares in such manner as set forth in the resolution of the Shareholders General Assembly. It is however provided that the said shares shall not count in the quorum required for the Company's General Meeting provided for in Articles 34 and 35 of the By-Laws.

### 13 - 14 Bonds

The Company may issue equal value negotiable non-divisible bonds in accordance with the provisions of the Companies Regulations and Capital Market Law and in compliance with Islamic Shariah Law.

### 13 - 15 Constitution of the Board of Directors

The management of the Company shall be undertaken by a Board of Directors to be comprised of six (6) members appointed by the Ordinary General Assembly for a term of three (3) fiscal years. Directors' remuneration and powers will be as stipulated in the Company's By-Laws. As an exception, the Founding Shareholders have appointed the members of the first Board of Directors for a term of five (5) years commencing from the date of the Ministerial Decision announcing the incorporation of the Company, as follows:

1. Abdulazizbin Omran Al Omran & Partners - member-represented by:  
Abdulazizbin Omran Al Omran - Chairman
2. Abdullah AbdulazizAl-Abdullatif member
3. Fawaz Hamad Fawaz Al Fawaz member
4. Saleh Ibrahim Abdullah Al Khulaifi member
5. Saud Mohammed Al Sabhan member
6. Ahmed Saeed Ahmed Al Ai member

### 13 - 16 Qualifications Shares

A Director must be a holder of a number of the Company's Shares of a nominal value not less than Ten Thousand Saudi Riyals. Such Shares shall, within thirty (30) days from the date of appointment of the Director, be deposited in a bank designated by the Minister of Commerce and Industry. These Shares shall be set aside to cover the Directors' liability, and shall remain non-negotiable until the lapse of the period specified for hearing the action in liability provided for in Article 76 of the Companies Regulations, or pending the award of a decision on such action. If a director fails to submit such security Shares within the period specified, his membership shall be forfeited.

### 13 - 17 Vacancies

Board Membership shall terminate upon the expiry of the term thereof or upon the expiry of the Director's term of office in accordance with any regulations or instructions prevailing in the Kingdom. If the office of a Director becomes vacant, the Board may appoint a temporary Director to fill such vacancy, provided that such appointment should be brought before the first Ordinary General Assembly. The new director shall complete the unexpired term of his predecessor. If the number of Directors falls below the minimum quorum required for its valid meetings, the Ordinary General Assembly must be convened as soon as possible to appoint the required number of Directors.

### 13 - 18 Powers of the Board of Directors

- 1) Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with the broadest powers to manage the business of the Company and supervise its affairs within and outside the Kingdom of Saudi Arabia. The Board of Directors is empowered to supervise all its works, affairs and transactions; to represent the Company in its relations with third parties and before governmental and private bodies, Shariah courts, judicial committees, the Board of Grievances, labor departments, the Committee for the Enforcement of Negotiable Instruments, all other judicial bodies, arbitration tribunals and the Directorate of Civil Rights, police departments, chambers of commerce and industry, private bodies, companies and firms of whatsoever nature; to enter into bids; to receive and pay monies, to make claims and sign admissions, to submit and reply to pleadings; to initiate litigation and enter into conciliation; to accept and/or deny court judgments; apply for referral of claims to arbitration and for the implementation or challenge of arbitral awards, and collect execution proceeds; the Board also has the right to sign all types of documents and contracts including contracts for incorporation of the companies in which the Company participates and make any necessary amendments, addenda and amendments resolutions; to sign agreement and Shariah-compliant bonds on behalf of the Company; to effect and approve purchase, pay the price, sell and vacate properties, to hand over and take over properties; to let and lease properties, to open bank accounts and apply for credit, withdrawal and deposit facilities from banks; to issue bank guarantees; to sign all types of documents, cheques and bank transactions; the Board is also empowered to appoint and remove employees, apply for visas, to recruit manpower from outside the Kingdom and enter into labor contracts with them, determine their remuneration, obtain employment visas, apply for transfers of sponsorship and release the same; to dispose of the Company's assets and properties; the Board is also empowered to sell, buy, vacate, mortgage and remove mortgage from the Company's property and to receive the sale price and hand over the property. However, the minutes of the meeting during which the resolution to sell the Company's assets, properties and real estates and the recitals of such resolutions must meet the following conditions:
  1. The Board shall specify in its resolution to sell such assets and/or properties the reasons and justifications of such sale;
  2. The sale price shall be at least equal to the market price of such assets and/or properties;
  3. The sale shall be undertaken with immediate effect unless the circumstances necessitate otherwise, in which case, sufficient guarantees should be obtained; and
  4. Such sale does not result in the Company's activities being suspended, or in any new obligations being assumed by the Company.

The Board may conclude loan agreements with governmental funds and institutions, including SIDF, regardless of the term of such loan agreements and conclude commercial loans for any term not exceeding the term of the Company. The Board shall observe the following conditions in respect of any loan having a term exceeding three (3) years:

1. The Board shall specify the manner in which the loan will be used and how it will be repaid by the Company; and
2. That the terms of the loan and the guarantees provided in relation thereto do not prejudice the interests of the Company, its Shareholders or the securities offered to the Company's creditors.

The Board of Directors shall also have the right to enter into agreements for settlement, release and any other commitments in the name and on behalf of the Company. The Board may also carry out any action that may assist the Company to achieve its objectives.

The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions. It may authorize others to undertake some of its competencies and powers.

- 2) The Board of Directors may, for the benefit of the Company, discharge the Company's debtors of their debt obligations, provided that the following conditions are fulfilled:
  1. At least one year has lapsed since the date on which the debt was created;
  2. The discharging of the debt shall not cause the Board to exceed the maximum amount of debt which the

- Board is entitled to discharge each year; and
3. The Board may not delegate its power to discharge debts to any party.

### 13 - 19 Remuneration of Board of Directors

The remuneration of Directors shall be determined in accordance with Article 44 and within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto. The annual report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the relevant fiscal year including salaries, share in profits, attendance allowance, expenses, and other benefits. This report shall also contain a statement of payments made to them in their capacity as employees or in consideration for technical, administrative or consultancy assignments carried out by Board member(s) in favor of the Company and previously approved by the Ordinary General Assembly.

### 13 - 20 Board Chairman, Managing Director and Secretary

The Board of Directors shall appoint a Chairman from among its members. The Board of Directors may also appoint a Vice Chairman and a Managing Director from among its members. The Board may choose one person to be the Chairman and the Managing Director at the same time.

### 13 - 21 Board Meetings

The Board of Directors shall be convened upon an invitation by the Chairman. Such call shall be made in writing and delivered by hand or sent by mail or fax or e-mail. The Chairman of the Board shall call for a meeting if so requested by any two (2) Board Members.

A Board meeting shall not be valid unless attended by at least half the number of members, and in all cases not less than three (3) members. The decisions of the Board shall be taken by absolute majority of the members attending. In case of a tie, the Chairman (or his representative) shall have a casting vote. The Board may adopt a resolution by circulation in writing unless a Board member requests a meeting to deliberate on such resolution. Such Resolutions shall be presented to the Board in its next meeting.

### 13 - 22 Minutes of Meetings

Minutes of Board meetings shall be prepared summarizing all discussions and decisions taken. The minutes shall be entered in a special register, and be signed by the Chairman and the Secretary.

### 13 - 23 Conflict of Interests

Members of the Board of Directors must declare to the Board any personal interest, whether direct or indirect, in any proposal, transaction or contract made for the account of the Company. Such declaration must be recorded in the minutes of the Board meeting, and the interested Board member shall not participate in voting on the resolution to be adopted in this respect.

### 13 - 24 Board Committees

The Board of Directors may appoint any such committees as they might deem in the best interest of the Company or subject to the approval of the Ministry of Commerce and Industry and other concerned authorities. Such committees shall be tasked with any such functions as the Board or the relevant authorities concerned may determine.

### 13 - 25 Attendance at the Assembly

A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located. Any Subscriber shall be entitled to attend the General Assemblies, in person or by proxy, regardless of the number of Shares held by him/it. Additionally, each Shareholder owning twenty (20) shares (or more) shall have the right to attend the General Assemblies, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his behalf.

### 13 - 26 Constituent Assembly

The Constituent Assembly shall be vested with the following functions:

- Ascertain that the capital has been subscribed for in full and that the minimum amount of the Share Capital and the due amount of the Share value have been paid in accordance with the provisions of the Companies Regulations;
- Draw up the final provisions of the Company's By-Laws. However, the Constituent General Assembly may not introduce fundamental alterations to the By-Laws submitted to it, except with the approval of all the subscribers thereat;
- Approve all the pre-constitution expenses; and
- Appoint the first auditor and fix his remunerations.

A meeting of the Constituent Assembly shall not be valid unless attended by a number of Subscribers representing at least 50% of the Company's Share Capital, and each Subscriber shall have one vote for each Share he subscribed for or represents.

### 13 - 27 Ordinary General Assembly

Except for matters reserved for the Extra-Ordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's financial year. Additional Ordinary General Assembly meetings may be convened whenever needed.

### 13 - 28 Extra-Ordinary General Assembly

The Extra-Ordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extra-Ordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

### 13 - 29 Manner of Convening General Assemblies

The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The invitation for the meeting shall be published in the Official Gazette and in a daily newspaper circulated in the locality of the head office of the Company twenty five (25) days before the day of the meeting. Each invitation must include the agenda for the meeting.

### 13 - 30 Proof of Attendance

A list of Shareholders attending the General Assembly in person or by proxy shall be prepared showing their names, domicile, the number of the shares held by each and the number of votes attached to such shares. Any interested person may review the said list.

### 13 - 31 Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (32) of the Regulation. The second meeting shall be deemed valid irrespective of the number of Shares represented therein.

### 13 - 32 Quorum of Extra-Ordinary General Assembly

A meeting of the Extra-Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for above. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter of the Company's capital.



### 13 - 33 Voting Rights

Each Subscriber shall have one vote for each Share he represents at the Constituent Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each Share. However, Shareholders present in person or represented by proxy or by both, with a number of votes not exceeding 20% of the total shares, shall not have the right for voting on General Assembly resolutions relating to the appointment or termination of the Company's Board of Directors and the auditors and amendment of the Company's By-Laws. The accumulative voting method shall be applied for selection the members of the Board of Directors.

### 13 - 34 Resolutions

Resolutions of the Constituent Assembly shall be adopted by an absolute majority of the Shares represented thereat. However, if the resolution to be adopted is related to evaluating shares in-kind or granting special benefits, then such resolution shall be valid only if adopted by a majority of two-thirds of the said Shares after excluding the shares subscribed for by the Shareholders who made the contribution in-kind or the beneficiaries of such special benefits, all of whom may not participate in any vote regarding such resolutions even if they are holders of cash shares. Resolutions of the Ordinary General Assembly shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting. Resolutions of the Extra-Ordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under the Company's By-Laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

### 13 - 35 The Agenda

Each shareholder shall have the right to discuss the items listed on the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditors in this respect. The members of the Board or the auditors shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder deems the answer to the question Cement Plant, then he/it may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

### 13 - 36 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Vice Chairman. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of the Shareholders present in person or represented by proxy, the number of the Shares held by each, the number of votes attached to such Shares, resolutions adopted at the meeting, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

### 13 - 37 Appointment of Auditors

The Company shall have one auditor or more to be selected from among the certified public auditors licensed to work in the Kingdom of Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditor.

### 13 - 38 Financial Year

The Company's financial year shall commence as at the 1st of January and expire on the 31st of December of each Gregorian year. However, the Company's first financial year shall start from the date of issuance of the Ministerial Resolution announcing the constitution of the Company and end on the 31st of December of the following year.

### 13 - 39 Financial Position

The Board of Directors shall prepare at the end of each financial year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall perform the foregoing at least sixty (60) days prior to convening the annual Ordinary General Assembly. The Board of Directors shall put such documents at the Auditor's disposal at least fifty-five (55) days prior to the time set for convening the General Assembly.

### 13 - 40 Distribution of Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

1. Ten percent (10%) of the annual net shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals fifty percent (50%) of the Company's capital.
2. There shall be paid to the holders of preferred shares the specified percentage pertaining to such shares.
3. The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided.
4. Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital.
5. Ten percent (10%) of the remaining amount shall be paid as compensation to the members of the Board of Directors.
6. The balance shall be distributed among the Shareholders as an additional share of the profits.
7. The Company may distribute semi-annual and quarterly profits after it has completed the necessary procedures put in place by the competent authorities.

### 13 - 41 Distribution of Dividends

The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the Ministry of Commerce and Industry.

### 13 - 42 Company Losses

If the Company's losses total three-quarters of its capital, then the members of the Board of Directors shall call the Extra-Ordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under Article (6) of the Company's By-Laws. In all cases the Assembly's resolution shall be published in the Official Gazette.

### 13 - 43 Disputes

Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of his intention to file such action.

### 13 - 44 Dissolution and Winding up of the Company

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extra-Ordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

### 13 - 45 Adoption of the Company's By-Laws

All Shareholders have agreed on the Company's By-Laws and have undertaken, including the new Shareholders, to comply with all the provisions thereof.

### 13 - 46 Company's Regulation

The Companies Regulations shall apply to all other matters not specifically provided for in the By-Laws.

### 13 - 47 Publication

This By-Laws shall be presented and published in accordance with the provisions of the Companies Regulations.



## 14. Legal Information

### 14 - 1 Incorporation

Umm Al-Qura Cement Company (a Saudi Joint-stock company) was established in the city of Riyadh, Kingdom of Saudi Arabia, and its memorandum of association was registered under No. 34197394 at the Notary Public of the Ministry of Commerce and Industry in Riyadh on 29/07/1434H (corresponding to 8/6/2013G). A resolution by the Minister of Commerce and Industry No. 214/Q dated 25/08/1434H (corresponding to 4/7/2013G) was issued approving the incorporation of the Company. The Company was registered in the Commercial Registration under No. 1010382514 dated 28/8/1434H (7.7.2013G) and Industrial License No. 22839 dated 30.05.1434H (corresponding to 11/4/2013). The Company's present capital ("Present Capital") amounts to SAR 275,000,000 (Saudi Riyals Two Hundred Seventy Five Million) divided into 27,500,000 (Twenty Seven Million Five Hundred Thousand) equal shares of a nominal value of SAR 10.00 each. For further information on the pre-incorporation expenses, please refer to "Founding Shareholders - Abdulazizbin Omran Al-Omran and Partners Relation with Umm Al-Qura Cement Company" section hereof.

### 14 - 2 Licenses and Permits

#### 14 - 2 - 1 Commercial Registration

Umm Al-Qura Cement Company was incorporated as a Saudi Joint-Stock Company under Commercial Registration No. 1010382514 dated 28/8/1434H (corresponding to 07/07/2013G) issued in the city of Riyadh and expires on 26/08/1439H corresponding to (corresponding to 11/05/2018G).

#### 14 - 2 - 2 Industrial License:

The Company obtained a preliminary industrial license for one year renewable issued by the Ministry of Commerce and Industry under No. 22839 dated 30/05/1434H (corresponding to 11/4/2013G) for production of white and Portland Cement. The license expires on 29/5/1435H (corresponding to 30/3/2014). The Company will apply for the final industrial license upon commencement of commercial production as per the rules of the Ministry of Commerce and Industry.

#### 14 - 2 - 3 Two Raw Material Quarry licenses:

The Company holds a license for raw material quarry to exploit the raw Lime Stone in the production of White Cement from Hurrat Hudon site (1) in Taif issued by the Ministry of Petroleum and Mineral Resources under the Ministerial resolution No. Q/1 dated 01/01/1433H (corresponding to 27/11/2011G); the Company has also a license for a raw material quarry to exploit the raw Lime Stone for production of Portland Cement from Hurrat Hudon in taif (2) issued by the Ministry of Petroleum and Mineral Resources under Ministerial resolution No. Q/2 dated 01/01/1433H (corresponding to 27/11/2011G). Both licenses were valid through the date hereof. Since the Company was not incorporated at that time, both licenses were issued in the name of Abdulaziz bin Omran Al-Omran and Partners company, a limited liability company and constituent of Umm Al-Qura Cement Company. The two licenses will be transferred to Umm Al-Qura Cement Company. However, as per the instructions of the Ministry of Petroleum and Mineral Resources (Article 9 of the terms of Quarry License), the license ownership may not be transferred unless 50% of the offering of company shares for the public subscription is completed at the actual cost as per the rules in force. Abdulaziz bin Omran Al-Omran and Partners Company presented a letter of assignment of the two licenses in favor of Umm Al-Qura Cement Company. For further information on the risks relating to licensing, please refer to (Risk Factors – Quarry License) section hereof.

The terms and conditions of the Ministry of Petroleum and Mineral Resources for exploiting the two quarry licenses are as follows:

- The license entitles the holder an individual right to exploit the raw lime stone in the license area for the production of cement. should the holder discover the existence of other mineral residuals, he may apply to the Ministry within 90 days to obtain a license to exploit such materials.
- The license holder must:
  1. Provide the Ministry with an evaluation of the environmental effects to be prepared by specialized experts in 3 originals under which he commits to take all necessary measures at all times to preserve the resources of water, environment and wildlife against any dangerous residuals or any environmental damages.
  2. Abide by the environmental rules applicable in the Kingdom; take all precautions and safety measures in the construction and maintenance of his facilities; abide by and maintain the safety and health of his

staff members and all other persons legally entitled to access the license area.

3. Submit to the Ministry a plan for rehabilitation of license area and maintain the area in a safe and good condition.

- The license holder must prepare and submit to the Ministry 3 original copies of the feasibility study of the project before commencement of quarrying activities; the study should include estimated capital expenses of the project, return on investment, annual operating expenses, quarrying methods and other technical, financial and statistical information. The study must be consistent with the size of the Plant.
- The license holder must advise the Ministry if any fixed or mobile monuments were found; if any, such monuments should be preserved, maintained and not displaced.
- The license holder must perform his operations using latest technical methods as commonly used in the quarrying industry in a way that ensures preservation of natural resources against damages, waste or loss. He should manage all quarrying operations with diligence, adequacy and continuity.
- The License holder must pay to the Ministry a nominal lease charge under the Implementing Rules of Mining Investment Law which presently amounts to SAR 10,000 per 1 square kilometer or a part of 1 square kilometer per year or part of a year for the license area. Nominal lease charges will be payable in advance by cheque to the order of Ministry's Agency of Minerals.
- The License holder must pay the financial consideration for exploitation as per the table enclosed with the Implementing Rules (3) which presently amounts to SAR 2.25 per ton of calcareous stone. Should the production capacity exceed the minimum limit, the license holder must pay the financial consideration for such excess as set in the table enclosed with the Implementing Rules (3) upon issue of the license, and annually thereafter. Such amount is non-refundable. The holder must provide the Ministry's Agency of Minerals with information on the actual production of materials which will be subject to the Ministry's periodical inspection.
- No term in the license may be construed as giving the holder title to any part of the land located within the license area or any other rights other than explicitly provided in the license and Mineral Investment Law.
- The licensee shall establish a Saudi joint-stock company to hold the whole project including the cement plant. The licensee shall subscribe to 50% of the Company's shares and offer the balance for public subscription at the actual cost. The partners of the licensed company undertake to waive their priority right to subscription, after which the license may be transferred to the joint-stock company. The Company memorandum and Articles of Association must provide for the partners approval and commitment to waive their priority right of subscription. Constituents may not dispose of their shares in the Company before the lapse of 3 years from the date of offering of shares for the public subscription.
- The holder may, if he has to use explosives in his operations, apply to the competent authorities for the required permit. In this case he must abide by the terms and controls specified by such authorities.
- The holder shall give priority to local contractors and other service providers as long as their performance standards and quality upon delivery were the same as others. He should give preference to locally made commodities, goods, materials, equipment, machinery and consumable as long as the quality of these items upon delivery was the same as that of other global materials, equipment, machinery and consumables.
- The holder must employ in his plant and operations Saudi individuals as per the applicable rules; he should provide a plan for the training of Saudis as approved by the Ministry. The ratio of Saudi staff should not be less than 40% of the total work force at the end of the first year and not less than 80% after four years of operation of plant and quarry. The holder must prepare a program for the theoretical and practical training of Saudi staff as approved by the Ministry.
- The holder must provide an annual report in the form recommended by the Ministry within a period not exceeding one month of the end of period set for submission of the report which should include a summary of the work progress, quantities of raw materials exploited, financial expenses, work force, profits generated and technical, financial and statistical results over the report period. The holder must submit an annual report to the Ministry on the extent of his observation of environment protection plan and achieved results in this connection. He must also provide the Ministry with any other reports or any additional information as requested by the Ministry.
- The holder shall, at his headquarters, maintain the necessary operational and financial records as required by the practices and procedures approved by the Ministry. This shall include records relating to production in the license area. An auditor licensed in the Kingdom of Saudi Arabia shall audit the financial statements of the license holder, and such statements shall be submitted to the Ministry once available, provided such submission shall not in any case exceed 90 days of the end of each fiscal year.
- The Ministry and representatives shall have the right to review, inspect and copy all records of the license holder including the technical, operational and financial records. The license holder must enable the Ministry representatives to directly inspect, review and present such records.
- The Government shall have a priority right to purchase from the license holder the required quantities of the cement at the conditions and prices specified unless the Company has committed in advance to sell such production to a third party.

- The Ministry may terminate this license in the following cases:
  1. Default by the license holder of any of the license terms and conditions.
  2. Delay of the payment of amounts payable to the government for more than 150 days.
  3. Provision of incorrect information to the Ministry by the license holder
  4. Failure by the license holder, for sixty days after receipt of a written notice by the Ministry, to fulfill the commitments imposed by the Minerals Investment Law or its Implementing Rules or the license itself.
  5. Failure by the license holder, for sixty days after receipt of a written notice by the Ministry, to rectify any action which may expose the health or safety of his staff members or others to risks, or which may threaten to cause damages to any mineral formations.
  6. Failure by the license holder, for sixty days after receipt of a written notice by the Ministry, to take the necessary actions to preserve the environment, wildlife, monuments or tourist areas.
- Upon expiry or termination of license, the competent authorities shall be notified accordingly in the form provided by the Ministry, and the Ministry representatives shall have the right to access the site to determine on the elements which the license holder is not entitled to restore or remove as these are considered the property of the Ministry. The license holder, within 180 days from the expiry or termination of the license for any reason, shall remove all debris, movable remaining parts of the equipment, facilities and plants, walls and fixed marks, and to rehabilitate and keep the site neat as well as to take all precautions to eliminate any risks whatsoever.
- The license holder undertakes and warrants that he and his staff, officers, directors and representatives did not and shall not promise or offer or pay any monies, charges, fees or commissions to any person against obtaining any improper preferential treatment or rewards in relation to this license.
- The license holder shall abide by the following terms and conditions:
  1. Use the latest and highly efficient technologies applicable globally in the cement industry thereby ensuring optimal use of energy, provided the energy used at each plant (3) is three million UK therm per cement ton using crude petroleum or heavy fuel oil depending on the fuel available and plant licensed production capacity. Consideration must be given to use of high capacity fans and pumps (compressors). Where the plant generates the electrical power for the plant use, he shall use highly efficient generators which capacity is less than 40% as per latest technologies in use in the Kingdom; he will exploit the wasted thermal energy within the plant.
  2. The production capacity of the cement plant for which the license is issued shall not exceed two million tons per year.
  3. The financial offer paid for the competition or any other expenses paid for the IPO purposes shall not be counted as part of the incorporation expenses.
  4. The licensee shall submit to the Ministry an evidence of the completion and signature of the following documents on the dates prescribed herein below:
    - a. A signed copy of Project Management Contract within two months of the license date.
    - b. A signed copy of FEED within 6 months of the license date.
    - c. Copies of documents evidencing availability of capital or completion and finalization of project financing (Financial Closure), whether by capital shareholding by the holders, loans from banks or financial institutions or financial and investment funds, within 6 months from the license date.
    - d. Signed copies of EPC within 10 months from the license date
    - e. An evidence of commencement of commercial production within 36 months from the license date.
    - f. A certificate by the General Organization For Technical Education and Vocational training or Ministry of Labor proving the employment and training of Saudis of not less than 40% of the total number of staff at the quarry and plant, within one year of production.

#### 14 - 2 - 4 Chamber of Commerce Membership:


The Company has obtained the membership of the Chamber of Commerce and Industry in Riyadh and holds a first degree membership certificate as of 16/1/2014 under No. 38831 which expires on 31/12/2014G.

#### 14 - 2 - 5 Zakat and Income Tax Certificate:

The Company obtained a Registration Certificate (Not valid for payment of final installments) from Zakat and Income Tax Department under No. 6975 dated 19/04/1435H which expires on 11/07/1436H.

### 14 - 3 Trade Mark:

The Company designed a logo which reflects its ambitions and future policies. An application for registration of such Trade Mark was submitted to the Ministry of Commerce and Industry under No. 143413200 dated 21/10/1434H. The application was preliminarily approved and published on 11/11/1434H, however during the regular publishing period an objection was submitted which is still being viewed by the Board of Grievances until the date hereof. Such case is vis-à-vis the Ministry of Commerce and Industry; however the Company has the right to interfere in the case if this is in its interest. The Company's inability to obtain the approval of the Ministry of Commerce and Industry for registering of its trade mark or the necessity, in certain cases, to take a legal action to protect its interests may adversely affect the result of the Company's operations in the future, however as the Company has not yet commenced the production thereby it is not relying on its trade mark at present

Trade Mark	Commercial Name
 <p>UACC شركة أسمنت أم القرى</p>	UMM AL-QURA CEMENT COMPANY

### 14 - 4 Approvals:

The Financial Advisor, IPO Legal Advisor, Market and Geological Studies Consultant, Financial Due Diligence Consultant, Certified Public Accountant and Advertising and Media Consultant agreed to use their names and logos in this Prospectus. The Market and Geological Studies Consultant and Certified Public Accountant agreed to publish their statements in the form reported herein, and such approvals have not been withdrawn by either of them. None of these parties, their staff members or relatives hold any shares or interests whatsoever in the Company.

### 14 - 5 Related Parties Contracts:

#### **Subcontract:**

This Subcontract was concluded between Abdulaziz Omran Al-Omran and Partners Company, a constituent of Umm Al-Qura Cement Company, represented by Abdulaziz Omran Al-Omran, chairman of Umm Al-Qura Cement Company, and Saudi BAUER Foundation Contractors Ltd, for construction of deep foundations to support the land on which Umm Al-Qura Cement Plant will be constructed.

This contract was signed on 16/1/2014 between Saudi BAUER Foundation Contractors Ltd ("First Party") and Abdulaziz Omran Al-Omran and Partners Company ("Second Party") under which the Second Party shall design and supply the ready concrete mix for the construction of the deep foundations being constructed by the First Party.

The contract price amounts to SAR 4,440,000. The change in the contract value of plus/minus 25% will be subject to the design of final works.

#### **Payments:**

1. Advance payment: SAR 444,000 (10% of the estimated contract value) payable to the Second Party.
2. Weekly interim payments will be made to the Second Party within 7 days from the approval of payment application made by the Second Party
3. The First Party shall retain 5% of the weekly interim payments until the plant is completed and commissioning results of the works carried out by the Second Party are approved.

This contract is subject to the rules and regulations applicable in the Kingdom of Saudi Arabia

The Chairman has disclosed the details of this contract to the Board of Directors at the Board meeting held on 11/11/2013.

#### **Concrete Supply Contract:**

This subcontract was concluded between Abdulaziz Omran Al-Omran and Partners Company, a constituent of Umm Al-Qura Cement Company, represented by Abdulaziz Omran Al-Omran, chairman of Umm Al-Qura Cement Company, and Sinoma International Engineering Co., Ltd (Sinoma International), the Company which is liable for the constructing of Umm Al-Qura Cement Plant.

This contract was signed on 6/4/1435H (corresponding to 6/2/2014) between Abdulaziz Omran Al-Omran and Partners Company (“Supplier”) and Sinoma International Engineering Co., Ltd (“General Contractor”) under which the supplier will supply the concrete and provide all related services in addition to transportation and pumping into the plant site. The term of this contract extends to 24 months from the signature thereof. The two parties agreed that the contract value will be based on a lump sum amount as per the following table:

**Table 77: Concrete Supply Contract**

Unit Price (SAR/M3)		Pressure (N/mm2) cubic 15x15x15	Cement Contents (KG/ m3)	Concrete Degree	S/N
OPC-T-I	ORC-T-V				
252	257	10	250	C-10	1
257	267	15	300	C-15	2
262	272	20	300	C-20	3
272	282	25	350	C-25	4
287	297	30	400	C-30	5
293	302	35	420	C-35	6
297	307	40	450	C-40	7
312	322	45	500	C-45	8

Source: The Company

The two parties agreed that the contractor will pay to the supplier 5% of the total value of concrete within one month from the contract against quality assurance.

This contract is subject to the rules and regulations applicable in the Kingdom of Saudi Arabia, and any dispute arising between the parties will be referred to arbitration in the Kingdom of Saudi Arabia.

The Chairman has disclosed the details of this contract to the Board of Directors at the Board meeting held on 12/03/2014G.

#### 14 - 6 Properties acquired or leased by the Company:

The Directors and Senior Management confirm that there are no title deeds of any properties which the Company holds or controls. The Company concluded a lease contract for its offices in Riyadh for SAR 64,000 per year valid for three years from 01/01/2013G to 01/01/2016G.

#### 14 - 7 Litigation

The Directors and Senior Management of the Company confirm that, as of the date of this Prospectus, the Company is not involved in any litigation, arbitration or administrative proceedings that would, individually or in aggregate, have a material adverse effect on the financial condition and results of operations of the Company, and that as far as the The Directors and Senior Management of the Company are aware, no such litigation, arbitration or administrative proceedings are threatened or pending.

#### 14 - 8 Affiliates/Subsidiaries

The Company does not have any affiliates/subsidiaries in or out of the Kingdom

#### 14 - 9 Directors Declarations:

##### 14 - 9 - 1 Working Capital:

The Directors confirm that the Company will have sufficient liquidity to meet the working capital requirements for the 12 months following the IPO period.

#### 14 - 9 - 2 Indebtedness:

The Directors and Senior Management confirm that the Company does not have any debt instruments or any other outstanding indebtedness as at the date hereof. The Company has received the approval of the Saudi Industrial Development Fund to finance the project for SAR 678,000,000, however the finance agreement has not yet been signed as of the date hereof. A precondition for extension of this loan is the offering of Company's shares for public subscription.

#### 14 - 9 - 3 Pledge:

The Directors and Senior Management confirm that there were no pledges or other rights placed over the properties.

#### 14 - 9 - 4 Contingent Liabilities and Guarantees:

The directors of the Board and executive management confirm that as of the date hereof the Company does not have any contingent liabilities or guarantees except those stated in the Management Discussion and Analysis of Financial Statements and Results of operations (Please refer to "Off balance sheet items and Contingent Liabilities" section). The Company has been charged with all pre-incorporation expenses. For further information on Pre-Incorporation expenses, please refer to "Founding Shareholders – The Relation between Abdulaziz bin Omran Al-Omran Company and Umm Al-Qura Cement Company.

### 14 - 10 Summary of major contracts:

#### 14 - 10 - 1 Engineering and Supply contract with Tianjin Cement Industry Design & Research Institute (TCDRI) Co:

This contract constitutes an integral part of the Building and Construction Contract and the Connection Agreement, and these, therefore, constitute the whole agreement between Umm Al-Qura Cement Company and Sinoma International Engineering Co., Ltd

The Company ("Employer") signed a contract on 15/03/2013 with Tianjin Cement Industry Design & Research Institute (TCDRI) Co (an affiliate of Sinoma International Engineering Co., Ltd) to provide the Engineering and supply services for building a cement plant in Taif area for the production Portland Cement with a daily capacity of 6000 tons of clinker.

The total value of the contract amounts USD 162,456,052 (SAR 609,210,195) payable in accordance with the contract terms and conditions as summarized herein below:

- **First Payment:**

USD 2 Million as a first payment payable within 14 days of the contract date.

- **Down payment:**

15% of the contract value payable by bank transfer as a down payment within 90 days of contract date.

- **Performance Payment:**

The employer will issue irrevocable letters of credit within 90 days of the contract date for payment of amounts due to Tianjin Company through a Saudi Bank in proportion with the performance made.

#### **Appointment and Duties of the consultant Engineer:**

The employer shall appoint the Engineer who will assume the implementation of the tasks specified in the contract. The Engineer will act on behalf of the employer, and his instructions will be final.

The Engineer's tasks and scope of work include, but will not be limited to, the following:

- a. Inform the employer and Tianjin of any deviation from the contract terms set by Tianjin
- b. Oversee work performance and evaluation and approval of the documents issued by Tianjin before implementation of works.
- c. Observe good Engineering practices and quality control.
- d. Review interim performance payments of Tianjin and stamp the same as approved or to be approved by the



employer within two weeks from the receipt of invoices by the employer. The Engineer may make any correction or alteration on any invoices previously approved by him.

The Engineer shall obtain the approval of employer before conducting certain tasks as listed:

- a. Perform any amendment on, addition or deletion to the contract
- b. Prepare change requests on the contract and obtain the approvals of Employer and Tianjin
- c. Request stop the progress on one or more of the work parts if such part was not consistent with the contract or if it was unacceptable as per the common Engineering practices before hand-over.
- d. Request removal from the site of any material not consistent with the contract
- e. Request replacement or re-doing of any work if it contradicts with the contract without any additional costs to the employer.

**Indemnity:**

Tianjin shall indemnify the Engineer and employer and their staff members and agents against all claims, penalties, losses and expenses (including the professional fees) in respect of the following:

- a. Physical injuries, diseases, epidemics, or death of any person whether resulting from or occurring during or due to the design, implementation and completion of works and treatment of any deficiencies unless it was due to negligence, willful act or violation of the contract by the Engineer or Employer or their staff members and agents.
- b. Damages or loss to any of the properties, personal or in-kind

The Employer shall indemnify the Tianjin and their staff members and agents against all claims, penalties, losses and expenses (including professional fees) in respect of Physical injuries, diseases, epidemics, or death of any person whether due to negligence, willful act or violation of the contract by the Engineer or employer or their staff members and agents

The Company may terminate the contract if Tianjin fails to continuously fulfill its contractual obligations; similarly Tianjin may terminate the contract under a prior notice of 28 days to the Company and Engineer in the following cases:

- a. Employer fails to pay to Tianjin any amount payable under the Project Engineer's certificate.
- b. Unjustified interference by the employer in or hampering the issuance of Engineer's certificate.
- c. Upon bankruptcy, liquidation or receipt of any application submitted against the employer by any group of creditors, or the conduct of business if any secretary or manager is operating in favor of his creditors, or if it is in the process of liquidation.

Tianjin shall complete all works within a period not exceeding 30 months from the commencement date. Work shall commence on the day following the signature of the contract, 13/05/2013G.

**Delay Penalties:**

As per contract terms, total amount of delay penalties shall not exceed 5% of the contract value. Should delay penalties exceed 5% of the total contract value, the employer may terminate the contract.

**Training:**

Tianjin is liable to train the employer staff on the operation and maintenance of works to the limits provided for in the employers requirements. The contract provides also for a training prior to the final delivery of the project, and accordingly the works will not be considered complete for final delivery purposes unless such training was completed.

**Performance Certificate:**

Contractor's performance shall not be considered as completed unless the Engineer has issued a certificate to Tianjin confirming the date Tianjin has fulfilled its duties under the contract. The Engineer shall issue the performance certificate within 28 days from the expiry of Deficiency Liability period, or directly after Tianjin has delivered all its documents and completed and commissioned all works including rectification of any deficiencies, if any. The performance certificate is the only document which confirms that the works were accepted.

**Performance Guarantee:**

Tianjin is liable to present, at its cost, a performance guarantee to ensure the correct and perfect completion of works, for 10% of the contract total value. Tinajin shall ensure that such performance guarantee will be valid and enforceable throughout the period until all works have been completed and deficiencies rectified. If the expiry date is fixed in the guarantee itself by which time Tinajin failed to fulfill the requirements for obtaining the performance certificate which proves lack of any deficiencies in the plant, then the validity of the guarantee will be automatically renewed until all works are completed and arising deficiencies rectified.

**Commissioning:**

After completion of works, Tinajin shall commission the equipment and machinery as well as all the plant in line with the agreed processes under the contract; it will also submit all plans in full with all details and final form as implemented in the plant; provide all assistance required such including documents and expertise as required to perform such commissioning appropriately.

**Applicable Law:**

This contract shall be governed and construed in accordance with the rules and regulations in force in the Kingdom of Saudi Arabia, and in case of any conflicts arising in connection with this contract were not settled amicably then these will be referred to arbitration.

#### 14 - 10 - 2 Construction contract of a new cement plant with the Saudi branch of Sinoma International:

This contract constitutes an integral part of the Engineering and Supply Contract and Connection Agreement, and these, therefore, constitute the whole agreement between Umm Al-Qura Cement Company and Sinoma International Engineering Co., Ltd

The Company ("Employer") signed a contract on 15/03/2013G with the Saudi Branch of Sinoma International Co. to build a new cement plant in Taif area for the production Portland Cement with a daily capacity of 6000 tons of clinker.

**Completion date:**

Sinoma shall complete all works within a period not exceeding 30 months from the commencement date of work. The work shall commence on the day following the signature of the contract, 16/03/2013G.

The total value of the contract amounts to USD 51,693,948 (SAR 193,852,305) payable in accordance with the contract terms and conditions as summarized herein below:

**Payment terms for civil and constructional works:****Down payment:**

15% of the "civil and constructional works" shall be paid by bank transfer as a down payment within 90 days of the contract date against an invoice issued by Sinoma.

**Progress Payments**

- The Employer shall issue irrevocable letters of credit within 90 days of contract date.
- 65% of the total contractual value of the "civil and constructional works" shall be paid in accordance with work progress by letters of credit.

**Special payment of First production of cement:**

10% of the total contractual value of the "civil and constructional works" shall be paid by letters of credit

**Final Payment:**

10% of the total contractual value of the "civil and constructional works" shall be paid by way of transfer.

**Indemnity:**

Sinoma shall indemnify the Engineer and Employer and their staff members and agents against all claims, penalties, losses and expenses (including the professional fees) in respect of the following:



- a. Physical injuries, diseases, epidemics, or death of any person whether resulting from or occurring during or due to the design, implementation and completion of works and treatment of any deficiencies unless it was due to negligence, willful act or violation of the contract by the Engineer or employer or their staff members and agents.
- b. Damages or losses to any of the properties, personal or in-kind

The Employer shall indemnify Sinoma and their staff members and agents against all claims, penalties, losses and expenses (including professional fees) in respect of Physical injuries, diseases, epidemics, or death of any person whether due to negligence, willful act or violation of the contract by the Engineer or employer or their staff members and agents

**Termination by the Employer:**

The Company may terminate the contract if Sinoma continuously fails to fulfill its contractual obligations or if it defaults the completion of works provided for in the contract without valid reasons. Similarly, Sinoma may terminate the contract under a prior notice of 28 days to the Employer and Engineer in any of the following cases:

- a. Employer's failure to pay to Sinoma any amount payable under the Project Engineer's certificate.
- b. Unjustified interference by the employer in or hampering the issue of Engineer's certificate.
- c. Upon bankruptcy, liquidation or receipt of any application submitted against the employer by any group of creditors; to operate while a secretary or manager was operating in favor of his creditors, or if it is in the process of liquidation.
- d. Consistently failing to fulfill its contractual obligations.

**Delay Penalties:**

As per contract terms, total amount of delay penalties shall not exceed 5% of the contract value. Should delay penalties exceed 5% of the total contract value, the employer may terminate the contract.

**Performance Certificate:**

Sinoma's performance shall not be considered as completed unless the Engineer has issued a certificate to Sinoma confirming the date Sinoma has fulfilled its duties under the contract. The Engineer shall issue the performance certificate within 28 days from the lapse of Deficiency Liability period, or directly after Sinoma has delivered all its documents and completed and commissioned all works including rectification of any deficiencies, if any. The performance certificate is the only document which confirms that the works were accepted.

**Performance Guarantee:**

The Saudi branch of Sinoma is liable to present, at its cost, a performance guarantee to ensure the correct and perfect completion of works, for 10% of the total contract value. The Saudi branch of Sinoma shall ensure that such performance guarantee will be valid and enforceable throughout the period until all works have been completed and deficiencies rectified. If the expiry date is fixed in the guarantee itself by which time The Saudi branch of Sinoma failed to fulfill the requirements for obtaining the performance certificate which proves lack of any deficiencies in the plant, then the validity of the guarantee will be automatically renewed until all works are completed and arising deficiencies rectified.

**Commissioning:**

After completion of works, Sinoma shall commission the equipment and machinery as well as all the whole plant in line with the agreed processes under the contract; it will also submit all plans in full with all details and final form as implemented in the plant; provide all assistance required including documents and expertise as required to perform such commissioning appropriately. Sinoma will serve the Engineer a prior notice before 14 days at least from the date of its readiness to conduct such commissioning.

**Applicable Law:**

This contract shall be governed and construed in accordance with the rules and regulations in force in the Kingdom of Saudi Arabia, and in case of any conflicts arising in connection with this contract were not settled amicably these will be referred to arbitration.

**14 - 10 - 3 Connection Agreement:**

This agreement constitutes an integral part of the Engineering and Supply Contract and Connection and Installation contract, and therefore, they constitute the whole agreement between Umm Al-Qura Cement Company and Sinoma International Engineering Co., Ltd

This agreement has been signed on 15/03/2013G between Sinoma International Engineering Co., Ltd and Umm Al-Qura Cement Company.

**Term:**

As Umm Al-Qura Cement Company has fulfilled all its obligations as provided for in the Engineering and supply contracts, construction and installation contracts and this agreement in the times prescribed without any contingent change of the completion time or the need to extend the completion time under the Engineering and Supply contracts and Building and Construction contracts, Sinoma shall complete all the works and is to prove that the works have passed the final tests within a period of 30 months from the commencement date.

**Sinoma Liability:**

Sinoma will be fully liable for the completion of the plant with its full design. Accordingly, Sinoma has reviewed the contents of the Engineering and Supply contract, and the Building and Construction Contract and has fully satisfied itself with the liabilities incumbent thereupon; it acknowledges that it is the only contractor liable for the performance of all works of the plant with its full design and for building ready foundations as per the terms and conditions provided for in the contracts referred to herein.

The contract shall be governed and construed in accordance with the rules and regulations in force in the Kingdom of Saudi Arabia, and in case any conflicts arising in connection with this contract were not settled amicably these will be referred to arbitration

14 - 10 - 4 Contract for provision of control and supervision services of the plant site (Project Engineer):

This agreement has been signed on 5/3/2013G between the Austrian Astro Plan Engineering GMBH ("Astroplan") and Abdulaziz Al-Omran company for provision of consulting services including supervision and control of the cement plant project. The contract was transferred in the name of Umm Al-Qura Cement Company under Astroplan acceptance vide their letter to Umm Al-Qura Cement Company No.57.1.125/57.1.115, dated 12/2/2014G.

The total value of the contract against the services agreed amounts to Euro 2,230,000 or SAR 11,785,600. (The SAR value of the Contract may change depending on the currency exchange rates).

The term of consultancy supervision services to be provided by Astroplan will be limited to:

- 26 months for pre-construction phase and supervision of the plant construction and commencement of operations, or
- Issuance of hand over certificate to the contractor

The Company may terminate the contract under a written notice to Astroplan within 30 days from the occurrence of any of the following events:

1. Failure by Astroplan to rectify any fault in performing its obligations as provided for in the contract without any valid reason.
2. Astroplan bankruptcy or entry into an agreement with its creditors to dispose of its debts, or if it has misused the rules in favor of its creditors; or if it becomes subject to voluntary or compulsory liquidation.
3. Astroplan fails to abide by any final judgment issued consequential to arbitration procedures.
4. All services are suspended under Article 26 (force-majeure) for a period exceeding 90 days.

Astroplan may terminate the contract under a written notice to the Company within 30 days from the occurrence of any of the following events:

5. The Company fails to observe its contractual liabilities which default is not rectified within 30 days from the receipt of a notice from Astroplan.
6. All services are suspended under Article 26 (force-majeure) for a period exceeding 90 days.
7. The Company fails to abide by any final judgment issued consequential to arbitration procedures
8. The customer consistently obstructs the consultant's performance of the services.

The contract shall be governed and construed in accordance with the laws and regulations in force in the Kingdom of Saudi Arabia, and in case any conflicts arising in connection with this contract were not settled amicably these will be referred to arbitration

#### 14 - 10 - 5 Environmental Effects Contract

This agreement has been concluded on 4/11/2013G with Al-Rasheed Soil Materials (Al-Rasheed) to submit a study on the environmental effects to be compliant with the requirements of The General Presidency for Meteorology and Environment Protection and to follow up with the Presidency until the issuance of the related certificate.

##### **Term:**

The contract expires with the approval by the Presidency For Meteorology and Environment Protection of the report of Environmental Effects and the issuance of related certificate.

Total value of contract amounts to SAR 110,000 payable as follows:

- 40% down payment upon signature of contract
- 30% upon submission of draft report to the Presidency For Meteorology and Environment Protection
- 30% upon approval by Presidency for Meteorology and Environment Protection of the Environmental Effects report and issuance of related certificate.

#### 14 - 10 - 6 Deep Foundations Construction Contract:

This agreement has been concluded on 17/12/2013G between Saudi Bauer Foundation Contracting Limited and Umm Al-Qura Cement Company for the construction of deep foundations to support the soil upon which the plant will be constructed.

The total value of the contract against the agreed services amounts to SAR 25,205,660 payable as follows:

- 25% down payment shall be paid within one week from the contract signature
- Weekly invoices shall be paid within one week from submission together with the records of the quantities agreed upon in line with the contract terms.
- 10% of the estimated contract value shall be retained against performance which will be paid as follows:
  - 5% payable upon installation of all foundations excluding commissioning or test (Preliminary handover)
  - 5% payable upon expiry of one full year after the completion of foundations works excluding commissioning or test (Preliminary handover)

The contract shall be governed and construed in accordance with the rules and regulations in force in the Kingdom of Saudi Arabia, and in case any conflicts arising in connection with this contract were not settled amicably these will be referred to arbitration.

#### 14 - 10 - 7 Saudi Industrial Development Fund's Agreement:

The Company received approval of board of Saudi Industrial Development Fund on 27/02/1435H corresponding to 12/30/2013G to extend a loan of SAR 678,000,000 to construct a factory for the production of Portland Cement at a production capacity of 6,000 tons of Clinker per day. The loan will be disbursed at installments as required by the loan agreement and based on standard disbursement regulations approved by the Fund until 29/10/1437H without being obliged to disburse any payment of the loan after this date. The loan is repayable at 16 consecutive semi-annual installments according to the payment schedule as follows:

**Table 78: SIDF Instalments**

Outstanding Loan Repayment Installment	Unified Installment
15/2/1439H	15,000,000
15/8/1439H	15,000,000
15/2/1440H	25,000,000
15/8/1440H	25,000,000
15/2/1441H	30,000,000
15/8/1441H	30,000,000

Outstanding Loan Repayment Installment	Unified Installment
15/2/1442H	35,000,000
15/8/1442H	35,000,000
15/2/1443H	45,000,000
15/8/1443H	45,000,000
15/2/1444H	55,000,000
15/8/1444H	55,000,000
15/2/1445H	60,000,000
15/8/1445H	60,000,000
15/2/1446H	74,000,000
15/8/1446H	74,000,000
Total	678,000,000

Financing charges of the Saudi Industrial Development Fund totaling to SAR 56,400,000 will be deducted on a pro rata basis from the first half (50%) of the loan amount in addition to the expenses related to following-up the Project. The Borrower undertakes at all times during the term of the loan, unless otherwise having a prior written consent of SIDF, that:

- The profits earmarked for distribution / withdrawals shall not exceed (25%) of the paid-up capital or the total loan installments due within one year of disbursement, whichever is less.
- The annual capital disbursements shall not exceed SAR 38,000,000.
- The annual rents shall not exceed SAR 19,000,000.
- Not to invest in loans or guarantee obligations of third parties.

The borrower pledges at all times that:

- The current assets to the current liabilities shall not fall below 1:1 throughout the term of the loan.
- Total liabilities to net tangible assets shall not exceed 3:1 throughout the term of the loan.
- Provide SIDF with the audited financial statements within a period not exceeding 90 days from the end of the fiscal year and the quarterly interim financial statements within a period not exceeding 30 days from the end of each quarter as well as any other information or data required by SIDF from time to time.
- Procure insurance policies as required from a specialized company acceptable to the Saudi Arabian Monetary Agency on the project assets against the risks identified by SIDF from time to time. The insurance policy shall state that SIDF is the beneficiary from all compensations from insured losses. In addition, SIDF shall be notified of any substantial amendments or cancellations (30) days before they occur. The total insured amount under the insurance policy shall not be less than SIDF loan.
- The Project shall commence its commercial operations no later than the first quarter of 1437H (fourth quarter of 2015).

It should be noted that the Company have not signed the financing agreement until the date of issuance of this Prospectus. A precondition for granting the loan is to offer the company's shares for public subscription.

## 15. Underwriting

Prior to the Offering Period, the Company had entered into an Underwriting Agreement with Riyadh Capital which undertook to underwrite all of the Offer Shares. Following is the key terms of the Underwriting Agreement.



**Riyadh Capital**  
Al Takhassusi Street, Prestige Center  
P.O. Box 21116, Riyadh 11475  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4865649  
Fax: +966 (11) 4865908  
website: [www.riyadcapital.com](http://www.riyadcapital.com)  
e-mail: [projecthaden@riyadcapital.com](mailto:projecthaden@riyadcapital.com)

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Under the terms of the underwriting agreement:

- a) The Company undertakes to the Underwriter that, on the first business day after the CMA approves the allocation of the Offer Shares following the end of the Subscription Period, it will:
  - sell and allocate the Offer Shares to the subscribers whose applications to the Offer Shares have been accepted by the Selling Agents; and/or
  - sell and allocate to the Underwriter any Offer Shares that are not purchased by successful applicants.
- b) The Underwriter undertakes to the Company that, on the allocation date, it will purchase the Offer Shares that are not subscribed for by successful applicants at the Offer Price. The Company has committed to satisfy all terms of this Prospectus and underwriting agreement.

## 16. IPO Fees and Expenses

The expenses related to the Offering is estimated at SAR 12 million and they will deducted from net proceeds from the Offering totaling to SAR 275 million. Such expenses and fees include fees of the Financial Advisor, Legal Advisor, Financial Due Diligence Consultant, underwriter, Selling Agents, Media and Public Relations Consultants and other expenses related to the Offering. The following table shows the details of total estimated IPO expenses:

**Table 79: Details of the anticipated IPO Expenses**

Description	Value (SAR)
Fees of Financial Advisor, Lead Manager and Underwriter	5,750,000
Fees of other advisors/consultants	580,000
Marketing and Distributions	1,000,000
Selling Agents	1,500,000
Other Expenses	3,170,000
<b>Total</b>	<b>12,000,000</b>

Source: The Company

## 17. Exemptions

The Company submitted a request to CMA for exemption from certain requirements of the Listing Rules, due to the fact that the Company is newly established in addition to the condition imposed by the Ministry of Petroleum and Mineral Resources, to offer fifty percent (50%) of the Company's Share Capital for public subscription. Following are the Listing Rules' Articles that require application for exemption:

- Paragraph (b) of Article XI of the Listing Rules states "On an application for registration and admission to listing of securities, the issuer must have been carrying on, either by itself or through one or more of its subsidiaries, a main activity for at least three financial years under substantially the same management."
- Paragraph (c) of Article XI of the Listing Rules states "On an application for registration and admission to listing of securities, an issuer must have published its audited financial statements covering at least the previous three financial years, prepared in accordance with the accounting standards issued by SOCPA".
- Paragraph (b/13) of Article XIX of the Listing Rules states " Submission of the annual report and audited annual financial statements of the issuer and, where applicable, those of its subsidiaries, for each of the three financial years immediately preceding submission of the application."
- Paragraph (6) of Article (26) of Appendix 4 of the Listing Rules states " the audited financial statements of the issuer and its subsidiaries (if applicable) and the consolidated audited financial statements of the issuer for each of the three financial years immediately preceding the date of the publication of the Prospectus, in addition to the most recent interim financial statements."
- Article (27) of Appendix 4 of the Listing Rules states " The issuer's consolidated audited financial statements for the three years immediately preceding the date of the publishing the Prospectus, in addition to the most recent interim financial statements."

## 18. Subscription Terms and Conditions

The Company has submitted an application to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted.

All Subscribers must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Forms, since the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

### 18 - 1 Subscription to the Offer Shares

Prior to this Offering, the Company's Founding Shareholders were holding the full Share Capital of the Company which has been paid up in cash. The Offering is directed at and may only be accepted by Individual Investors including Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband and who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit. Subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases the relevant regulations shall be enforced against that person.



The Offering includes 27,500,000 (twenty seven million and five hundred) Shares with a nominal value of SAR 10 (ten Saudi Riyals). The total value of the Offering is estimated at SAR 275,000,000 (two hundred and seventy five million Saudi Riyals, representing 50% of the issued Share Capital of the Company (after the Offering).

Subscription Application Forms will be available during the Offering Period at the Lead Manager and Selling Agents branches. Subscription may also be made through Internet; telephone banking or ATMs through any of the Selling Agents which offer such services to the Subscribers provided that:

1. The investor has participated in any recent initial public offering;
2. The investor must have an account with the Selling Agent that provides such services; and
3. There should have been no changes in the personal information of the subscriber since the last offering he subscribed in.

Subscribers must submit their Subscription Application forms to the following Selling Agents:

 Al Rajhi Bank مصرف الراجحي	 NCB الأهلي	 بنك الرياض riyad bank
Al Rajhi Bank Olaya Street P.O. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 2116000 Fax: +966 (11) 4600705 website: www.alrajhibank.com.sa e-mail: contactcenter1@alrajhibank.com	National Commercial Bank King Abdulaziz Road P.O.Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (12) 6493333 Fax: +966 (12) 6437426 website: www.alahli.com e-mail: contactus@alahli.com	Riyad Bank King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 4013030 Fax: +966 (11) 4042618 website: www.riyadbank.com e-mail: customercare@riyadbank.com

 البنك السعودي للاستثمار The Saudi Investment Bank	 البنك السعودي الفرنسي Banque Saudi Fransi
The Saudi Investment Bank Al-Ma'ather Road P.O. Box 3533, Riyadh 11481 Kingdom of Saudi Arabia Tel: +966 (11) 4786000 Fax: +966 (11) 4776781 website: www.saib.com.sa e-mail: ir@saib.com.sa	Banque Saudi Fransi Al-Ma'ather Road P.O. Box 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 (11) 289999 Fax: +966 (11) 4042311 website: www.alfransi.com.sa e-mail: communications@alfransa.com.sa



A duly signed Subscription Application Form shall, upon its submission, be considered to be a legally binding agreement between the Company and the Subscriber. The Prospectus contains full details on the Company and the Offer Shares. Upon submission of the Subscription Application Form, all subscribers will be treated as their applications are based on the information contained in this Prospectus, a copy of which can be obtained from the Company, Lead Manager, Selling Agents, or CMA website ([www.cma.org.sa](http://www.cma.org.sa)), Lead Manager website ([www.riyadcapital.com](http://www.riyadcapital.com)) or the Company website ([www.uacc-ksa.com](http://www.uacc-ksa.com)).

The Selling Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from \*\*/\*\*/1435H (corresponding to \*\*/\*\*/2014G) up to and including \*\*/\*\*/1435H (corresponding to \*\*/\*\*/2014G). Once the Subscription Application Form is signed and submitted, the Selling Agent will stamp it and provide to the Subscriber a copy of the completed Subscription Application Form. The Subscription Application Form will be considered void if the information presented therein is incomplete or inaccurate and not signed by the Selling Agent:

The Subscriber shall specify in his Application Form the number of shares he intends to subscribe for, so the total amount of subscription shall be the number of shares subscribed for multiplied by the Offer Price of SAR 10 per share. Each individual subscriber to the Offer Shares must apply for a minimum of 50 Offer Shares and any increase must be for the multipliers of the minimum number of shares. A subscriber may not apply for more than 200,000 Offer Shares. The total amount of the Shares subscribed for will be debited to the Subscriber's account.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied by the following documents (as applicable):

- The original and copy of the national Civil identification card (for individual subscribers);
- The original and copy of the Family Civil record (when subscription is made on behalf of the family members)
- The original and copy of the power of attorney or the certificate of guardianship;
- The original and copy of for orphans guardianship certificate (when subscription is made on behalf of orphans);
- The original and copy of the deed of divorce (for a Saudi divorced woman subscribing for her minor children from a non-Saudi husband);
- The original and copy of the death certificate (for a Saudi widowed woman subscribing for her minor children from a non-Saudi husband); and
- The original and copy of the birth certificate (of the minor children of a Saudi divorced or widowed woman previously married to a non-Saudi).

A power of attorney is acceptable by first degree family members (parents and children) only. In the event an application is made on behalf of a Subscriber, the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a Notary Public for those who are in the KSA and must be legalized through the Saudi Embassy or Consulate in the relevant country for those residing outside the KSA. The Selling Agents will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case:

- All Offer Shares will be allocated to the prime Subscriber;
- The prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers, and
- The prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Subscribers.

Separate Subscription Application Forms must be used if:

- The Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/ head of family; or
- Dependent Subscribers wish to apply for a different quantity of Offer Shares than the prime Subscriber.
- If the wife wishes to subscribe in her name and to add allocated shares to her account, however, she must complete a separate Subscription Application Form as a prime subscriber. In such a case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

A divorced or a widowed Saudi woman who has children from a non-Saudi husband, shall have the right to subscribe in their name for her interest providing that she shall introduce an evidence to prove the situation and motherhood.

During the Offering, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mothers and cannot subscribe as primary subscribers. The maximum age for non-Saudi dependents to be included with their mother is eighteen (18) years. Any documents issued by a foreign government must be notarized (attested) by a Saudi consulate or embassy.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 10 per Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him upon fulfillment of the following:

- Delivery by the Subscriber of the Subscription Application Form to the Selling Agent;
- Payment in full by the Subscriber to the Selling Agent of the total value of Offer Shares subscribed for; and
- Delivery to the Subscriber by the Selling Agent the allotment letter specifying the number of Offer Shares allotted to him.

The Company shall have the right to reject the Subscription Application Form in full or in part if it does not meet the Subscription Terms and Conditions. The subscriber shall accept the shares allotted to him unless they are more than the shares he subscribed for.

## 18 - 2 Decisions and Approvals according to which Shares will be Offered

Following are a number of resolutions and approvals according to which the Company will offer its Shares for Public Subscription:

- Article (9) of the terms and conditions of the Quarry License stipulates that the Company is committed to establish a Saudi joint stock company that shall offer fifty percent (50%) of its shares for public subscription.
- Approval of the first Extraordinary General Meeting on 04/25/1345H (corresponding to 25/02/2014G) on increasing the Share Capital of the Company.
- CMA's approval on the IPO.

## 18 - 3 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

## 18 - 4 Circumstances Where Listing May be Suspended or Cancelled

### **Suspension or Cancellation of Listing**

1. CMA may at any time suspend or cancel the listing as it deems fit, in any of the following circumstances:
  - The Authority considers it necessary for the protection of investors or the maintenance of an orderly market;
  - The issuer fails, in a manner which the Authority considers material, to comply with the Capital Market Law and its Implementing Regulations including a failure to pay on time any fees or fines due to the Authority;
  - The liquidity requirements set out in paragraph (a) of Article 13 of Listing Rules are no longer met;
  - The Authority considers that the issuer does not have a sufficient level of operations or sufficient assets to warrant the continued trading of its securities on the Exchange;
  - The Authority considers that the issuer or its business is no longer suitable to warrant the continued listing of its securities on the Exchange.
2. Where a suspension of an issuer continues for 6 months, without the issuer taking appropriate action to resume its trading, the Authority may cancel the listing.
3. Upon an announcement of an Extra-Ordinary General Assembly's approval of the issuer on a capital increase resulting in a reverse takeover, the listing of the issuer's shares shall be cancelled. The issuer must submit a new application for registration and admission to listing in accordance with these Rules, should it wish to list its securities.

### **Voluntary Suspension or Cancellation of Listing**

1. An issuer whose securities have been admitted to listing may not suspend or cancel the listing of its securities on the Exchange without the prior approval of the Authority. The issuer must provide the following to the Authority:
  - Specific reasons for the request for the suspension or cancellation;
  - A copy of the form of the announcement of the cause for cancellation; and
  - If the cancellation is to take place as a result of a takeover or other corporate action by the issuer, a copy of the relevant documentation and a copy of each related communication to shareholders.
2. Once approval from the Authority has been obtained for the cancellation of listing, an issuer must obtain the consent of its Extra-Ordinary General Assembly.
3. Where a suspension or cancellation is made at the issuer's request, the issuer must announce as soon as possible the reason for the suspension or cancellation, the anticipated period of the suspension, the nature of the event resulting in the suspension or the cancellation which affects the issuer's activities.
4. The Authority may accept or reject the request for suspension or cancellation in its discretion.

### **Temporary Trading Halt**

1. An issuer may request a temporary trading halt upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period.
2. To enable the Authority to assess the need for the trading halt and the appropriate duration of the trading halt, the request must be supported by:
  - Specific reasons for the request for the trading halt and the duration of the requested trading halt; and
  - A copy of the announcement on the reason of suspension, the anticipated suspension period and nature of incident/event causing the suspension.
3. Where a temporary trading halt is made at the issuer's request, the issuer must announce, as soon as possible, the reason for the trading halt, the anticipated period of the trading halt, the event affecting the issuer's activities.
4. CMA may accept or reject the request for trading halt in its discretion.
5. CMA may impose a trading halt without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the Authority considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to a trading halt must continue to comply with the Capital Markets Law and its Implementing Regulations.
6. A trading halt will be lifted following the lapse of the period referred to in the announcement specified in paragraph (3), unless CMA decides otherwise.

### **Lifting of Suspension**

1. Where a listing has been suspended, the lifting of such suspension will depend on:
  - The events which led to the suspension have been sufficiently remedied, and the suspension is no longer necessary for the protection of investors; and
  - The issuer's compliance with any other conditions that CMA may require.
2. CMA may lift a suspension even where the issuer has not requested it.

### **Re-registering and Admission to Listing of Cancelled Securities**

An issuer is required to submit a new application for registration and admission to listing in order to re-registering and admission to list securities which have been cancelled.

Other than the lock-in period for Founding Shareholders, there are no standing arrangements that prevent the disposal of certain Shares.

## 19. Undertakings Relating to Subscription

### 19 - 1 Allocation of Shares and Refund

The Selling Agents shall open and operate an Escrow Account named (IPO of “Umm Al-Qura Cement Company”). Each Selling Agent shall deposit the amounts it received from subscribers in the said Escrow account.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of fifty (50) Offer Shares. The maximum number of Offer Shares for which a Subscriber may apply is two hundred thousand (200,000). The minimum allocation per Subscriber is fifty (50) Offer Shares, and the balance of the Offer Shares (if any) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds fifty five hundred thousand (550,000), the Company will not guarantee the minimum allocation per Individual Investor, and the Offer Shares will be allocated equally between all Subscribers.

Excess subscription monies, if any, will be refunded to the Subscribers by the Selling Agents without any charge or withholding. Notification of the final allotment and refund of excess subscription monies, if any, will be made by \*\*/\*\*/1435H (corresponding to \*\*/\*\*/2014G).

Selling Agents will send notices to Subscribers who subscribe to the Offer Shares at their branches informing them of the final number of shares allocated to them as well as the amounts to be refunded to them. Such amounts shall be refunded in full without any fees or deductions, and credited to the Subscribers accounts with the Selling Agent. Subscribers must contact the branch of the Selling Agent to which they submitted their Subscription Application Forms to obtain any additional information.

### 19 - 2 Subscribers' Undertakings

By completing and delivering the Subscription Application Form, the Subscriber:

- Accepts to subscribe to the number of shares specified in the Subscription Application Form;
- Warrants that he has read the Prospectus and understood all its contents;
- Accepts the By-Laws of the Company and all subscription instructions and terms mentioned in the Prospectus;
- Keeps his/her right to bring a claim against the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or for the omission of material information in the Prospectus that could have affected the Subscriber's decision to purchase the Shares;
- Declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed to the Company's shares and accepts that the Company has the right to reject all applications;
- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- Warrants not to cancel or amend the Subscription Application Form after submitting it to the Selling Agents.

### 19 - 3 The Saudi Arabian Stock Exchange (Tadawul)

In 1990G, full electronic trading in Saudi Arabia equities was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading on the Exchange occurs through a fully integrated trading system covering the entire process from trade order through to settlement trading on the Exchange. Trading occurs each Business Day between 11.00 am to 3.30 pm. After close of exchange trading, orders can be entered, amended or deleted from 10.00 am to 06.30 pm. The system closes between 06.30 pm to 10.00am. New entries and inquiries can be made from 10.00 am for the opening phase (starting at 11.00 am).

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

The Exchange distributes a comprehensive range of information through various channels, including in particular the Exchange website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on the same day, i.e. on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via the Exchange for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

#### 19 - 4 Trading on Tadawul

It is expected that dealing in the Company Shares will commence on Tadawul upon finalization of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

## 20. Documents Available for Inspection

The following documents will be available for inspection at the Company's Head Office, Sulaimaniyah District, Al Tahliyah Street, Riyadh, from 8:30 am until 5:00 pm all week days (except Fridays and Saturdays) at least for 20 days prior to the end of Subscription Period.

- The Company's By-Laws and Articles of Association;
- The Company's Commercial Registration certificate;
- Approval of the Extra-Ordinary General Assembly to increase Share Capital
- license number (Q/1), dated 01/01/1433H issued by the Ministry of Petroleum and Mineral Resources for the exploitation of limestone to produce White Cement
- license number (Q/2), dated 01/01/1433H issued by the Ministry of Petroleum and Mineral Resources for the exploitation of limestone raw material to produce Portland Cement.
- Initial industrial license for a period of one year, subject to renewal by the Ministry of Commerce and Industry No. 22839, date of 30/05/1434H to produce White Cement and Portland Cement
- The CMA's approval of the Offering;
- Audited financial statements for the period ended 31 December 2013G.:
- A written consent from the certified Public Accountant, Al Hoshan, to publish the audited financial statements in this Prospectus.;
- The written consent of the Financial Due Diligence Consultant (Ernest & Young) to refer to them in this Prospectus;
- The written consent of the Legal Advisor (Al Fahd Law Firm) to refer to them in this Prospectus;
- The written consent of the Financial Advisor (Riyad Capital) to refer to them in this Prospectus;
- The written consent of the Market and Geological Study Consultant (Holtec Consultant Private Ltd.) to refer to it in this Prospectus.
- The undertaking issued by the Abdulaziz Omran Al Omran & Partners Co. with regard to transferring the White and Portland Cement license to the benefit of UACC.
- Full market study , including the section on the feasibility study of economic and geological studies (Holtec Consultant Private Limited)
- The Underwriting Agreement;
- The Selling Agents' Agreement
- All material contracts disclosed in the Prospectus as follows:
  - Engineering and procurement contract with Tianjin Cement Industry Design and Research Centre Limited.
  - A contract for building and construction of a new cement plant with the Saudi branch of Sinoma International.
  - Wasil Agreement
  - Oversight and supervision services contract of the factory site "The Architect of the Project"
  - Environmental Impact Estimate Contract.
  - Construction of Deep Foundations Contract.
  - Lending agreement from Saudi Industrial Development Fund (SIDF).

## 21. Auditors Report

The Company's Financial Statements included in this Prospectus, covering the period since its incorporation until 31 December 2013G along with the accompanying notes have been audited by the Certified Public Accountant Al Hoshan. The Financial Statements have been prepared according to the standards issued by SOCPA in Saudi Arabia. The Company issues its financial Statement in Saudi Riyal.

**22. AUDITED FINANCIAL STATEMENTS**



## AUDITORS' REPORT

To the Shareholders of Umm Al-Qura Cement Company,

We have audited the statements of financial position of Umm Al-Qura Cement Company (A closed joint stock Company), as at 31 December 2013, and the statement of Income, Statement of Changes in Shareholders Equity and Statement of Cash Flows for the period from 3 July 2013G to 31 December 2013G, and other explanatory notes, which are an integral part of the these financial statements. The preparation of financial statement is the responsibility of the Company according to Article 123 of the Companies Regulations, and our responsibility is limited to expressing our opinion based on the audit we conducted, the information we obtained and the notes we explained which we believe were essential.

We conducted our audit in accordance with the generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with the requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free from material misstatements. The audit involves performing procedures, using samples, to obtain audit evidence about the amounts and disclosures in the financial statements, which supports the validity of amounts and notes included in the Financial Statements. It also includes appraisal of the used accounting principles, significant Management estimates and presentation method of the Financial Statement in general. In our opinion, the conducted audit procedures constitute a reasonable base to give an opinion.

Pursuant to the By-Laws of the Company, the first fiscal year of the Company started on 3 July 2013G and ended on 31 December 2014G, which does not match with the date of the attached financial statements.

In our opinion, the aforementioned financial statements taken as a whole:

Present fairly, in all material respects, the financial position of Umm Al-Qura Cement Company as at 31 December 2011, and its results of operations and cash flows from 3 July 2013G to 31 December 2013G, in light of the presentation and disclosure of financial data contained in the financial statements and in accordance with the recognized accounting principles in the Kingdom of Saudi Arabia, applicable to the Company's conditions as explained in Not 2 to the financial statements.

Except as stated above, comply with the requirements of the Kingdom's Companies Regulations as well as the Company's By-Laws with regard to preparation and presentation of financial statements.

Al Hoshan  
Certified Public Accountant  
Omar Mohammad Al Hoshan  
License No. 362

Date: 21 Rajab Awal 1435H (Corresponding to 5 January 2014)

Riyadh, Kingdom of Saudi Arabia

**Umm Al-Qura Cement Company**  
**A closed joint stock Company**  
**Pre-Operating Phase**  
**Statements of Financial Position**  
**31 December 2013**  
**(SAR)**

<b>Assets</b>	
<b>Current assets:</b>	
Cash in hand and at banks	136,615,048
Prepayment and other receivables (Note 3)	785,599
<b>Total current assets</b>	<b>137,400,647</b>
Projects in progress	131,956,588
Properties and equipment (Notes 2 & 5)	142,463
	<b>269,499,698</b>
<b>Liabilities and Shareholders' Equity</b>	
<b>Current liabilities</b>	
Accounts payable (Note 2)	1,013,854
Due expenses	287,726
Provision for Zakat (Notes 2 & 6)	-
Total current liabilities	1,301,580
End of service benefits	60,771
Total liabilities	1,362,351
<b>Shareholders' Equity</b>	
Paid up capital (Note 7)	275,000,000
<b>Accumulated losses</b>	<b>(6,862,653)</b>
<b>Total Shareholders' Equity</b>	<b>268,137,347</b>
	<b>269,499,698</b>

The Accompanying notes from 1 to 14 form an integral part of these financial statements,

**Umm Al-Qura Cement Company**  
**A closed joint stock Company**  
**Pre-Operating Phase**  
**Statement of Income**  
**For the period 3 July 2013G to 31 December r 2013G**  
**(SAR)**

<b>Sales</b>	
Costs of Sales	
<b>Total</b>	
Pre incorporation expenses (Note 9)	(3,059,769)
Pre operating expenses (Note 10)	(3,520,221)
Financing Charges (Note 11)	(282,663)
Period net loss before Zakat	(6,862,653)
Zakat provision (Note 6)	
Net loss for the period	
Loss per share	(0.25)

The Accompanying notes from 1 to 14 form an integral part of these financial statements,

**Umm Al-Qura Cement Company**  
**A closed joint stock Company**  
**Pre-Operating Phase**  
**Statement of Changes in Shareholders' Equity**  
**For the period 3 July 2013G to 31 December r 2013G**  
**(SAR)**

<b>Capital (Note 7)</b>	
	275,000,000
<b>Accumulated losses</b>	
Opening Balance	
Net loss for the period	(6,862,653)
Closing Palance	(6,862,653)
<b>Total Shareholders' Equity</b>	<b>268,137,347</b>

The Accompanying notes from 1 to 14 form an integral part of these financial statements,

**Umm Al-Qura Cement Company**  
**A closed joint stock Company**  
**Pre-Operating Phase**  
**Statement of Cash Flows**  
**For the period 3 July 2013G to 31 December r 2013G**  
**(SAR)**

<b>Cash Flow from Operating Activities</b>	
Net Loss for the period	(6,862,653)
<b>Adjustments to reconcile net loss to net cash</b>	
<b>Net cash used in operating activities:</b>	
Depreciation	18,793
Provision for end of service benefits	60,771
<b>Change in liabilities</b>	
Prepayment and other assets	(785,599)
Accounts payable	1,013,854
<b>Due expenses</b>	<b>287,726</b>
<b>Net cash from Operating Activities</b>	<b>(6,267,108)</b>
<b>Cash Flow from investment activities</b>	
Project in progress	(131,956,588)
Properties and equipment	(161,256)
<b>Net cash used in investment activities</b>	<b>(132,117,844)</b>
<b>Cash flow from financing activities</b>	
Paid up capital	275,000,000
<b>Net Cash Flow from financing activities</b>	<b>275,000,000</b>
<b>Net change in cash balances</b>	<b>136,615,048</b>
Opening cash balances	-
<b>Closing cash balances</b>	<b>136,615,048</b>

The Accompanying notes from 1 to 14 form an integral part of these financial statements,

**Umm Al-Qura Cement Company**  
**A closed joint stock Company**  
**Pre-Operating Phase**  
**Notes to the Financial Statements**  
**31 December 2013**

**1- General**

Um-Al-Qura Cement Company was established in the Kingdom of Saudi Arabia as a Saudi joint stock company in accordance with Commercial Registration No. 1010382514, dated 28 Rajab 1434H (corresponding to 03 July 2013G) in the City of Riyadh.

The Company's business is to produce Grey Cement of all types in accordance with the license No. Q/2 dated 01/01/1433H, White Cement in accordance with the license No. Q/1 dated 01/01/1433H, as well as management and operation of Portland and White cement plants, general contracting for building, installation works, and mechanical and electrical installations.

According to the Company's By-Laws, the first financial year of the Company started as of the endorsement date of the Company's By-Laws by the Ministry of Commerce and Industry on 24 Rajab 1434H, corresponding to 3 July 2013G. Therefore, the first financial year of the Company shall be from 3 July 2013G until 31 December 2014G. The Company has prepared the financial statement for the period 3 July 2013G to 31 December 2013G for management purposes

\* The Company has not conducted any commercial business until the date of preparing the financial statement.

**2- Accounting Policies**

- Properties and Equipment

Properties and equipment are recognized at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over their estimated useful lives.

Improvement of leased buildings	33%
Furniture and Furnishing	10%
Hardware and Software	20%

- Accounts Receivable

Obligations of due amounts in future are included against obtained services and inventory, whether they were invoiced by the supplier or not.

- Zakat

Zakat is an obligation on shareholders and it is included in the financial statement according to the requirements of Zakat Standard issued by SOCPA.

- End of Service Provision

End of service compensation by the Company will be dealt with in accordance with the Labor and Workmen Law in the Kingdom of Saudi Arabia.

- Foreign Currency Translation

The attached financial statements are stated in Saudi Riyals using a proper exchange rate to translate transactions or balances in foreign currencies to Saudi Riyal. Such translation did not result in any material profits or losses.

**3- Prepayment and other assets**

Prepayments and other assets as at 31 December 2013 are composed of:

Prepayments	758,000
Payable from employees	27,599
	785,599

#### 4- Projects in Progress

This item represents the cost incurred to construct Umm Al-Qura Cement Plant in Taif, which expected to be completed during the 3rd Quarter of 2015G.

The land on which the Plant is constructed is leased from the Ministry petroleum and Mineral Resources (MPMR) for 30 Hجري years under a mining license giving the exclusive right to the Company to exploit defined minerals in the licensed area of 58 km<sup>2</sup> to manufacture and produce Portland, Grey and White cement.

According to the terms and conditions of the granted license, the surface rent of the above mentioned exploited land is SAR 10,000 per square kilometer per year and payable as of issuance date of the license.

The total cost of constructing the Plant is estimated at (SAR 1,275,000,000) approximately, including the construction contract, fixed assets and the associated facilities.

The Company entered into a contract with Sinoma International to carry out engineering and supply works to construct the Cement Plant on turn-key basis at a production capacity of 6000 ten per day of Clinker. The Company paid an amount of SAR 123,324,566 to the execution contractors on account as follows:

Advance Payment on account of engineering and construction works to Sinoma interactional (representing approximately 15,24% of their contract price)	123,165,566
Advance payments to other contractors	159,000
Researches consultations and Tests	7,486,808
Survey works	569,214
Roads	576,000
	<b>131,956,588</b>

The remaining Plant's asset supply and facilities contracts are under way according to the time schedule of the Plant requirements.

#### 5- Zakat Provision

Zakat provision for the period 3 July 2013G to 31 December 2013G has been accounted for as follows:

Net period loss before Zakat	(6,862,653)
<b>Zakat adjustments</b>	<b>60,771</b>
<b>Net adjustable loss</b>	<b>(6,801,882)</b>
Capital	275,000,000
Net adjustable loss	(6,801,882)
Fixed assets	(142,463)
<b>Projects in progress</b>	<b>(131,956,588)</b>
<b>Zakat base</b>	<b>136,099,067</b>
No Zakat is payable as the year has not finished yet	-

## 6- Capital

The authorized, issued and paid up capital is composed of 27,500,000 shares of SAR 10 per each, amounting to SAR 275,000,000 as at 31 December 2013G.

## 7- Statutory Reserve

Companies Regulations in the Kingdom of Saudi Arabia and the Company's By-Laws require to transfer 10% of annual net profit to the Statutory Reserve until it reaches 50% of Statutory Reserve during the period 3 July 2013G to 31 December 2013G as the Company has not conducted any activity and has not realized any profits. This reserve is not distributable to Shareholders.

## 8- Pre-Incorporation Expenses

Pre-Incorporation expenses cover the period from starting the expenses of the Project until incorporation of the Company on 3 July 2013G as follows:

Salaries and equivalents	837,219
Quarry Rentals	1,296,768
Management Building Rental	32,516
Travel expenses	415,687
Car rentals	83,049
Office supplies	29,056
Entertainment & Buffet	17,366
Consulting and attorney fees	83,491
Government and authentication fees	39,824
Advertisements	85,290
Shipment and custom clearance expenses	67,548
<b>Others</b>	<b>71,955</b>
	<b>3,059,769</b>

## 9- Pre-Operating Expenses

Pre-Operating expenses include the expenses from 3 July 2013G to 31 December 2013G as following:

Salaries and equivalents	2,489,592
Quarry rentals	373,010
Management building rental	71,484
Depreciation expenses	18,793
Travel expenses	149,559
Government fees	37,435
Consulting and attorney fees	139,100
Office supplies	26,490
<b>Others</b>	<b>214,758</b>
	<b>3,520,221</b>

## 10- Financing Charges

Financing Charges comprise of financing expenses of SAR 282,663 against a loan from a local bank amounting to SAR 8,000,000 on 19 May 2013G in the name of Abdul Aziz Omran AL Omran Company and Partners for the benefit of Umm Al-Qura Cement Company to pay an advance payment to the main construction contractor. The loan was repaid on 21 May 2013G.



## **11- Fair value of financial instruments**

Fair value is the value according to which assets are exchanged or liabilities are paid among willing parties and on arm-length basis. The Company financial assets are composed of cash and cash equivalents, investments, prepayments and other assets. Liabilities are composed of accounts payable and due and payable expenses. The fair value of financial instruments does not significantly differ from their book value.

## **12- Risk Management**

### **Commission Rate Risks**

The Company is subject to commission rate risks relating to its assets that are associated with commission including short term investments (Murabaha). The Company does not believe that there is a material risk relating to commission rate.

### **Credit Risk**

The Company has not yet started its commercial operation. With regard to other credit risks resulting from the company's other financial assets including cash and cash equivalents, credit risk for the Company arises from failure of the counter party at a maximum limit equivalent to the carrying value of such instruments.

### **Liquidity Risk**

Since commercial operations have not started yet, the Company is not subject to material liquidity risk. All liabilities included in the statement of financial position are contractually payables upon request.

### **Currency Risk**

The Company is subject to the risk of currency rate fluctuations during its normal course of business. The Company has not performed any material transactions in currencies other than Saudi Riyal, US Dollar and Euro during the period. The Company does not believe that there is a material risk relating to currency rates.

## **13- Sectorial Information**

The Company has not started its commercial operations as at 31 December 2013G. Therefore, the Company's sectors have not been presented.

