

Arabian Cement Company S.A.E.
Condensed Consolidated Interim Financial Statements
together with Limited Review Report
for the three months ended March 31, 2023

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Limited Review Report
for the Condensed Consolidated Interim Financial Statements

To: The Board of directors of Arabian Cement Company
An Egyptian Joint Stock Company

Introduction

We have conducted our limited review for the accompanying condensed consolidated interim financial position of Arabian Cement Company - An Egyptian Joint Stock Company - as of March 31, 2023, and the related condensed consolidated statements of profits or losses, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with the Egyptian Accounting Standard No. (30) - Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

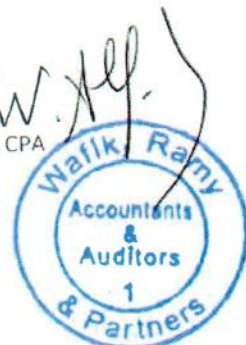
We have conducted our limited review in accordance with the Egyptian Standard on Review Engagements (2410) – Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Egyptian Accounting Standard No. (30) - Interim Financial Reporting.

Cairo, May 29, 2023

Wafik Alfred Hanna, CPA
F.R.A. No. (132)
R.A.A. 9176



Arabian Cement Company (S.A.E)
Condensed Consolidated Statement of Financial Position
as of March 31, 2023

	Note No.	March 31, 2023 EGP	December 31, 2022 EGP
Assets			
Non-current assets			
Property, plant and equipment (net)	(10)	1 797 864 585	1 839 104 558
Assets under construction	(11)	3 952 133	3 952 133
Intangible assets (net)	(12)	184 325 728	191 268 364
Right of use assets (net)	(26)	11 518 583	12 992 066
Investment in a joint venture	(13)	2 535 254	2 569 276
Total non-current assets		2 000 196 283	2 049 886 397
Current assets			
Inventories	(14)	598 085 344	624 486 267
Trade receivables (net)	(15)	316 005 247	79 554 875
Debtors and other debit balances (net)	(16)	177 116 547	235 320 162
Due from related parties	(25)	95 368	76 140
Cash and bank balances	(17)	561 133 540	818 442 022
Total current assets		1 652 436 046	1 757 879 466
Total assets		3 652 632 329	3 807 765 863
Equity and liabilities			
Equity			
Issued and paid-up capital	(18)	757 479 400	757 479 400
Legal reserve	(19)	294 793 613	260 543 120
Retained earnings		345 462 207	145 003 980
Equity attributable to owners of the Parent Company		1 397 735 220	1163 026 500
Non-controlling interests	(20)	40 894	38 121
Total Equity		1397 776 114	1163 064 621
Liabilities			
Non-current liabilities			
Borrowings	(21)	148 882 612	177 476 090
Deferred tax liabilities	(8-3)	242 998 486	266 201 710
Lease liabilities	(26)	6 191 970	6 724 129
Notes payable	(22)	3 827 934	4 544 514
Total non-current liabilities		401 901 002	454 946 443
Current liabilities			
Trade and notes payable	(22)	753 136 364	847 567 285
Credit facilities	(21)	342 437 008	360 644 205
Current income tax liability	(8-2)	269 630 572	198 386 556
Current portion of long term borrowings	(21)	193 215 215	163 534 780
Lease liabilities	(26)	5 634 456	6 411 505
Creditors and other credit balances	(24)	223 098 415	299 002 000
Due to related parties	(25)	--	369 246
Dividends payable		--	249 968 203
Provisions	(23)	65 803 183	63 871 019
Total current liabilities		1 852 955 213	2 189 754 799
Total Liabilities		2 254 856 215	2 644 701 242
Total equity and liabilities		3 652 632 329	3 807 765 863

- The accompanying notes form an integral part of the condensed consolidated financial statements and to be read therewith.



Sergio Alcantarilla Rodriguez
Chief Executive Officer



Arturo Gallart Mauri
Chief Financial Officer

- Auditor's report attached.

Arabian Cement Company (S.A.E)
Condensed Consolidated Statement of profit and loss
for the three months ended March 31, 2023

	Note No.	<u>March 31, 2023</u> EGP	<u>March 31, 2022</u> EGP
Sales (net)	(3)	1 710 010 320	1 061 025 317
Cost of sales	(4)	(1 255 897 224)	(829 975 470)
Gross profit		<u>454 113 096</u>	<u>231 049 847</u>
<u>Add/(deduct):</u>			
General and administrative expenses	(5)	(40 739 271)	(23 873 733)
Provisions	(23)	(3 042 000)	(46 637 423)
Expected credit losses on trade receivables	(15)	(888 840)	--
Interest income		9 205 459	213 464
Other income		485 520	15 690 455
Finance costs	(6)	(25 075 783)	(14 485 898)
Share of (loss) profit of a joint venture		(34 022)	47 802
Foreign currency exchange losses		(104 208 094)	(51 102 296)
Net profit for the period before tax		<u>289 816 065</u>	<u>110 902 218</u>
Income tax	(8-1)	(48 040 792)	(52 048 596)
Net profit for the period after tax		<u><u>241 775 273</u></u>	<u><u>58 853 622</u></u>
<u>Profit attributable to:</u>			
Owners of the Parent Company		241 772 500	58 850 721
Non-controlling interests	(20)	2 773	2 901
		<u><u>241 775 273</u></u>	<u><u>58 853 622</u></u>
Earnings per share for the period	(9)	<u><u>0.63</u></u>	<u><u>0.15</u></u>

- The accompanying notes form an integral part of the condensed consolidated financial statements and to be read therewith.



Sergio Alcantarilla Rodriguez
Chief Executive Officer



Arturo Gallart Mauri
Chief Financial Officer

*Translation of the consolidated financial statements
originally issued in Arabic*

Arabian Cement Company (S.A.E)
Condensed Consolidated Statement of Comprehensive Income
for the three months ended March 31, 2023

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period after tax	241 775 273	58 853 622
Items of other comprehensive income	--	--
Comprehensive income for the period	<u>241 775 273</u>	<u>58 853 622</u>

- The accompanying notes form an integral part of the condensed consolidated financial statements and to be read therewith.



Sergio Alcantarilla Rodriguez
Chief Executive Officer



Arturo Gallart Mauri
Chief Financial Officer

Arabian Cement Company (S.A.E)
Condensed Consolidated Statement of Changes in Shareholders' Equity
for the three months ended March 31, 2023

	Issued and paid-up	Legal reserve	Retained earnings	Attributable to the owners	Non-controlling	Total
	capital			of the Parent Company	interests	
	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2022	757 479 400	257 830 772	45 625 489	1 060 935 661	38 681	1 060 974 342
Transferred to legal reserve	--	2 712 348	(2 712 348)	--	--	--
Dividends distributed to employees	--	--	(6 927 440)	(6 927 440)	--	(6 927 440)
Total comprehensive income for the period	--	--	58 850 721	58 850 721	2 901	58 853 622
Balance at March 31, 2022	757 479 400	260 543 120	94 836 422	1 112 858 942	41 582	1 112 900 524
Balance as of January 1, 2023	757 479 400	260 543 120	145 003 980	1 163 026 500	38 121	1 163 064 621
Transferred to legal reserve	--	34 250 493	(34 250 493)	--	--	--
Dividends distributed to employees	--	--	(7 063 780)	(7 063 780)	--	(7 063 780)
Total comprehensive income for the period	--	--	241 772 500	241 772 500	2 773	241 775 273
Balance at March 31, 2023	757 479 400	294 793 613	345 462 207	1 397 735 220	40 894	1 397 776 114

- The accompanying notes form an integral part of the condensed consolidated financial statements and to be read therewith.



Sergio Alcantarilla Rodriguez
Chief Executive Officer



Arturo Gallart Mauri
Chief Financial Officer

Arabian Cement Company (S.A.E)
Condensed Consolidated Statement of Cash flow
for the three months ended March 31, 2023

	<u>Note No.</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
		<u>EGP</u>	<u>EGP</u>
<u>Cash flows from operating activities</u>			
Net profit for the period before tax		289 816 065	110 902 218
<u>Adjusted by:</u>			
Finance costs	(6)	25 075 783	14 485 898
Interest income		(9 205 459)	(213 464)
Share of loss (profit) of a joint venture		34 022	(47 800)
Depreciation of property, plant and equipment	(10)	51 902 940	51 234 204
Amortization of intangible assets	(12)	6 942 636	6 942 636
Amortization of right of use assets	(26)	1 473 483	1 437 946
Expected credit losses on trade receivables	(15)	888 840	--
Unrealized foreign currency exchange losses from borrowings		40 747 313	28 260 869
Provisions	(23)	3 042 000	46 637 423
		410 717 623	259 639 930
Increase in inventories		26 400 923	63 406 019
Decrease (increase) in debtors and other debit balances		51 139 835	(114 938 175)
(Increase) decrease in trade receivables		(237 339 212)	18 638 749
Increase in amounts due from related parties		(19 228)	(36 585 551)
(Decrease) increase in creditors and other credit balances		(75 903 585)	271 909 646
Decrease in trade and notes payable		(95 147 501)	(50 152 843)
Decrease in amounts due to related parties		(369 246)	(9 006 373)
Provisions used	(23)	(1 109 836)	(20 924 489)
Cash flows generated from operating activities		78 369 773	381 986 913
Finance costs paid		(24 922 535)	(14 069 527)
Net cash flows generated from operating activities		53 447 238	367 917 386
<u>Cash flows from investing activities</u>			
Payments for purchase of property, plant and equipment		(10 662 967)	(800 283)
Interest income received		9 205 459	213 464
Net cash flows used in investing activities		(1 457 508)	(586 819)
<u>Cash flows from financing activities</u>			
Net change in borrowings		(39 660 356)	(27 308 730)
Net change in credit facilities		(18 207 197)	(200 231 264)
Repayment for lease liabilities		(1 462 456)	(618 238)
Dividends paid		(249 968 203)	(6 927 440)
Net cash flows used in financing activities		(309 298 212)	(235 085 672)
Net change in cash and cash equivalents during the period		(257 308 482)	132 244 895
Cash and cash equivalents at the beginning of the period		818 442 022	128 250 456
Cash and cash equivalents at the end of the period	(17)	561 133 540	260 495 351

- The accompanying notes form an integral part of the condensed consolidated financial statements and to be read therewith.



Sergio Alcantarilla Rodriguez
Chief Executive Officer



Arturo Gallart Mauri
Chief Financial Officer

1. The Company's general information

Arabian Cement Company S.A.E. (The Company or the Parent Company), a joint stock Company incorporated in Cairo, Egypt, is a public company whose shares are traded at the EGX Egyptian Exchange. The Company was established on March 5, 1997, under the provisions of Law No. 230 of 1989 and Law No. 95 of 1992 according to the decree of the Chairman of the General Authority for Investment and Free Zone (GAFI) No. 167 of 1997.

The Company was registered in the Commercial Register under No. 13105 in Cairo, on April 3, 2005, which was changed to No. 53445 on August 16, 2011, as the Company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza - Egypt to be Villa 56 El Gihaz Street, Fifth Settlement, New Cairo, Egypt. The admin office changed to be on Gamal Abdel Nasser square (west Arabella), Fifth Settlement Arabella Plaza, Office Building (A), 5th floor.

The Company's objective is the manufacturing and sale of clinker, cement and the other related products and usage of mines and extraction of all mining materials required for the production of construction materials and road transportation for all the company's product. The Company may carry out other projects or amend its purpose according to the Investment Incentives and Guarantees Law.

The main shareholder of the Company is Aridos Jativa – Spanish Company, and it owns 60% of the Company's capital. The Company's term is 25 years starting from the date of its registration at the Commercial Register.

The principal activities of the Company and its subsidiaries (the Group) are as follows:

Arabian Cement Company: a cement producer with a clinker capacity of 4.2 million tons per annum that can produce 5 million tons per annum of cement.

Andalus Concrete Company: a producer of concrete products and other constructions materials. The company owns 99.99% of the issued and paid-up capital of Andalus Concrete Company.

ACC Management and Trading Company: providing managerial restructuring services for companies, transportation of goods, projects management, general trading and preparation of feasibility studies. The Company owns 99% of the issued and paid-up capital of ACC Management and Trading Company.

Evolve for Investment and Project Management Principal Activities is Alternative Fuel - Construct and operate factories for recycling. The Company owns 99.99% of the issued and paid-up capital of Evolve for Investment and Project Management.

Egypt Green for environmental services, clean energy production and development: establishment and operate factory for recycle for the wastes of production and services activity. The Company owns 99.99% of the issued and paid up capital of Egypt Green.

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on May 29, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) No. (30) Interim financial reporting. These condensed consolidated interim financial statements do not include all the information required in the preparation of the full set annual consolidated financial statements and must be read in conjunction with the annual consolidated financial statements as of December 31, 2022.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value or amortized cost, as appropriate.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

2.3 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of a group entity to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Sales revenue

An analysis of the Group's revenue for the period is as follows:

EGP	March 31, 2023	March 31, 2022
<u>Local</u>		
Sales	970 793 567	930 007 161
Transportation services	15 071 931	28 810 892
	<u>985 865 498</u>	<u>958 818 053</u>
<u>Export</u>		
Sales	574 935 670	72 005 886
Transportation services	149 209 152	30 201 378
	<u>724 144 822</u>	<u>102 207 264</u>
TOTAL	1 710 010 320	1 061 025 317

4. Cost of sales

An analysis of the Group's cost of sales for the period is as follows:

EGP	March 31, 2023	March 31, 2022
Raw materials	976 605 965	657 636 752
Manufacturing depreciation	51 166 578	50 642 943
Amortization of intangible assets	6 942 636	6 942 636
Amortization of right of use	1 473 483	1 437 951
Transportation cost	145 295 271	51 794 752
Overhead cost	74 413 291	61 520 436
TOTAL	1 255 897 224	829 975 470

5. General and administration expenses

The analysis of the Group's general and administration expenses for the period is as follows:

EGP	March 31, 2023	March 31, 2022
Professional fees	7 808 119	4 010 070
Salaries and wages	14 118 281	7 949 583
Security and cleaning services	267 998	258 046
Rentals	44 844	18 881
Transportation	1 173 502	556 037
Advertising	1 224 559	706 050
Administration depreciation	736 362	591 261
Other expenses	15 365 606	9 783 805
TOTAL	40 739 271	23 873 733

6. Finance costs

An analysis of the Group's finance costs for the period is as follows:

EGP	March 31, 2023	March 31, 2022
Loan interest expense	11 659 356	7 730 629
Finance lease	153 248	352 164
Credit facilities interest expense	13 060 375	6 289 985
Other finance costs	202 804	113 120
TOTAL	25 075 783	14 485 898

7. Compensation of key management personnel *

An analysis of the Group's compensation of key management personnel for the period is as follows:

EGP	March 31, 2023	March 31, 2022
Board of directors allowance	3 690 144	2 039 904
Board of directors salaries	4 441 840	2 455 440
TOTAL	8 131 984	4 495 344

* Included in salaries and wages in general and administration expenses.

8. Income taxes

8.1 Income tax expense recognised in profit or loss

EGP	March 31, 2023	March 31, 2022
CURRENT TAX		
Current tax expense for the current period	71 244 016	57 136 618
DEFERRED TAX		
Net deferred tax recognized in the current period	(23 203 224)	(5 088 022)
TOTAL INCOME TAX EXPENSE RECOGNIZED IN THE CURRENT PERIOD	48 040 792	52 048 596

8.2 Current tax liabilities

EGP	March 31, 2023	December 31, 2022
Current tax liabilities	269 630 572	198 386 556
CURRENT TAX LIABILITIES	269 630 572	198 386 556

8.3 Deferred tax balances

Deferred tax liabilities arise from the following:

31 March 2023	Opening balance	Recognized in profit or loss	Closing balance
EGP			
(LIABILITIES)			
<i>Temporary differences</i>			
Property, plant & equipment	(266 201 710)	5 877 762	(260 323 948)
Unrealized Forex foreign exchange Losses	--	17 325 462	17 325 462
NET DEFERRED TAX LIABILITY	(266 201 710)	23 203 224	(242 998 486)

31 December 2022	Opening balance	Recognized in profit or loss	Closing balance
EGP			
(LIABILITIES)			
<i>Temporary differences</i>			
Property, plant & equipment	(301 472 827)	35 271 117	(266 201 710)
NET DEFERRED TAX LIABILITY	(301 472 827)	35 271 117	(266 201 710)

9. Earnings per share

Basic earnings per share is calculated by dividing the earnings from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As the company does not have any dilutive potential, the basic and diluted earnings per share are the same.

The earnings from continuing operations and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

EGP	March 31, 2023	March 31, 2022
EARNINGS (for basic and diluted earnings per share)		
Profit for the period attributable to owners of the parent	241 772 500	58 850 721
Employees share in distributable profits	(2 526 395)	(1 689 337)
Distributable profit for the period	239 246 105	57 161 384
NUMBER OF SHARES (for basic and diluted earnings per share)		
Weighted average number of ordinary shares for the purposes of EPS	378 739 700	378 739 700
EARNINGS PER SHARE	0.63	0.15

Arabian Cement Company S.A.E.
Condensed consolidated interim financial statements
Together with limited review Report
For the three-months ended March 31, 2023

10. Property, plant and equipment

EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
COST								
Balance at January 1, 2022	50 243 436	662 066 259	2 882 498 314	47 674 756	15 836 471	303 432 827	22 362 299	3 984 114 362
Additions	-	-	112 597	150 546	-	-	537 140	800 283
Balance at March 31, 2022	50 243 436	662 066 259	2 882 610 911	47 825 302	15 836 471	303 432 827	22 899 439	3 984 914 645
Balance at January 1, 2023	50 243 436	669 653 224	2 885 993 199	61 826 691	15 892 264	304 062 824	23 517 100	4 011 188 738
Additions	-	5 601 777	409 643	2,834,040	146,985	448,569	1 221 953	10 662 967
Adjustments	-	-	(217 255)	-	-	-	-	(217 255)
Balance at March 31, 2023	50 243 436	675 255 001	2 886 185 587	64 660 731	16 039 249	304 511 393	24 739 053	4 021 634 450
ACCUMULATED DEPRECIATION								
Balance at January 1, 2022	-	302 016 098	1 444 187 878	32 508 527	10 209 528	153 874 930	21 372 212	1 964 169 173
Depreciation expense	-	6 970 329	38 680 893	1 067 248	326 267	3 921 801	267 666	51 234 204
Balance at March 31, 2022	-	308 986 427	1 482 868 771	33 575 775	10 535 795	157 796 731	21 639 878	2 015 403 377
Balance at January 1, 2023	-	330 340 343	1 600 980 541	37 240 898	11 446 424	169 828 036	22 247 938	2 172 084 180
Depreciation expense	-	7 024 506	38 923 347	1 430 151	242 283	3 933 552	349 101	51 902 940
Adjustments	-	-	(217 255)	-	-	-	-	(217 255)
Balance at March 31, 2023	-	337 364 849	1 639 686 633	38 671 049	11 688 707	173 761 588	22 597 039	2 223 769 865
Net book value:								
At March 31, 2023	50 243 436	337 890 152	1 246 498 954	25 989 682	4 350 542	130 749 805	2 142 014	1 797 864 585
At March 31, 2022	50 243 436	353 079 832	1 399 742 140	14 249 527	5 300 676	145 636 096	1 259 561	1 969 511 268
At December 31, 2022	50 243 436	339 312 881	1 285 012 658	24 585 793	4 445 840	134 234 788	1 269 162	1 839 104 558

On February 24, 2019 there is a cancellation of the first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt. The management is currently in the process of changing mortgage to be in favour of the Commercial International Bank (CIB) (Security agent).
According to the loans contracts granted by the Commercial International Bank CIB (Security Agent), the Company has signed an insurance policy for the benefit of the bank. The insurance policy is against all potential risks on the Company's factory and the production lines, in favour of the bank. The bank is the first and sole beneficiary of this policy.

- The depreciation expense for the item of furniture and computers is included in the item of general and administrative expenses, Note (5) in the amount of EGP 736 362. The depreciation expense for the remaining assets is included in the cost of sales of Note (4) in the amount of EGP 51 166 578.

11. Assets under construction

EGP	March 31, 2023	December 31, 2022
Balance as of January 1	3 952 133	3 261 312
Additions	--	690 821
Balance as of March 31	3 952 133	3 952 133

12. Intangible assets (net)

EGP	Operating license	Electricity contract	Total
<u>Cost</u>			
Cost as of January 1, 2023	563 204 713	225 200 000	788 404 713
Additions during period	--	--	--
Cost as of March 31, 2023	563 204 713	225 200 000	788 404 713
<u>Accumulated amortization</u>			
Accumulated amortization as of January 1, 2023	(371 936 349)	(225 200 000)	(597 136 349)
Amortization for the period	(6 942 636)	--	(6 942 636)
Total accumulated amortization as of March 31, 2023	(378 878 985)	(225 200 000)	(604 078 985)
Net book value March 31, 2023	184 325 728	--	184 325 728
Net book value December 31, 2022	191 268 364	--	191 268 364

Operating license

As per the country's policies to obtain a license for the cement factory, the General Industrial Development Association approved the issuing of a license to the company on May 21, 2008 in the amount to EGP 2 814 million for the 1st production line with related liability on the company to pay 15% as an advance payment and the residual amount will be paid over 5 equal annual instalments after 1 year from starting production with a maximum of 18 months according to interest rate determined by the Central Bank of Egypt (CBE).

The above-mentioned value will be also applied for the second line and a 25% will be paid as an advance payment and residual amount will be settled over a period of 3 years according to the interest rate determined by the Central Bank of Egypt (CBE).

Electricity contract

Intangible assets represent the value of the contract concluded with the Ministry of Electricity on March 11, 2010, where the Ministry of Electricity identifies the needs of heavy industrial projects and arranges their needs, either through the establishment of new stations or already established ones. The cost of investments will be paid by the company according to what has been determined by the Ministry, which amounted to EGP 217.2 million, where payment has been agreed to be paid as follows:

15% advance payment equivalent to EGP 32.58 million.

120 monthly instalments due on the first of every month from April 2010 amounted by EGP 1.220 million per each instalment.

120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each instalment.

In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid in four quarterly instalments and the last instalment was due on 1 February 2011.

13. Investments in a joint venture

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Place of Incorporation	Proportion of ownership interest and voting power held by the Group	EGP	
			March 31, 2023	December 31, 2022
Andalus Reliance for Mining Company	Egypt	50%	2 535 254	2 569 276
TOTAL			2 535 254	2 569 276

14. Inventories

EGP		
	March 31, 2023	December 31, 2022
Raw materials	84 246 252	46 452 661
Fuel	190 249 650	98 641 560
Packing materials	64 811 633	73 001 447
Spare parts	21 809 680	17 627 958
Work in progress	3 677 100	2 574 802
Finished goods	233 291 029	386 187 839
TOTAL	598 085 344	624 486 267

15. Trade receivables

EGP		
	March 31, 2023	December 31, 2022
Trade receivables	320 106 807	82 767 595
Less: Expected credit loss	(4 101 560)	(3 212 720)
TOTAL	316 005 247	79 554 875

16. Debtors and other debit balances

EGP		
	March 31, 2023	December 31, 2022
Advance to suppliers	41 601 314	109 629 286
Withholding tax	22 813 342	19 932 531
Prepaid expenses	18 631 174	8 245 720
Value added tax	2 973 867	2 881 728
Real estate tax	1 572 127	1 572 127
Deposit with others	79 316 179	79 316 179
Employees' dividends in advance	2 526 395	7 063 780
Letters of guarantee – cash margin	2 903 581	2 903 851
Cash imprest fund	6 651 585	5 579 582
Other debit balances	323 073	391 468
Less: Impairment losses in debtors	(2 196 090)	(2 196 090)
TOTAL	177 116 547	235 320 162

17. Cash and bank balances

EGP	March 31, 2023	December 31, 2022
Cash in hand	2 767 917	3 146 331
Current account – local currency	355 052 007	575 266 143
Current account – foreign currency	143 474 328	112 335 882
Bank deposits	59 839 288	127 693 666
Total	561 133 540	818 442 022

18. Capital

EGP	March 31, 2023	December 31, 2022
Par value per share	2	2
Number of ordinary shares authorized, issued and fully paid	378 739 700	378 739 700
Issued capital	757 479 400	757 479 400

19. Legal reserve

In accordance with the Companies Law No.159 of 1981 and the Company's Articles of Incorporation, 10% of annual net profit is transferred to legal reserve. The entity shall cease such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders. The applied percentage of legal reserve is as follow:

Description	%
Arabian Cement Company	10%
Andalus Concrete Company	10%
ACC for Management and Trading Company	5%

20. Non-controlling interests

EGP	March 31, 2023	December 31, 2022
Balance at beginning of period	38 121	38 681
Profit attributable to non-controlling interest	2 773	(560)
Balance at end of period	40 894	38 121

21. Borrowings

EGP	Current		Non-current	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
First: Credit facilities				
Credit facilities – CIB	140 812 165	162 164 643	--	--
Credit facilities – NBE	201 624 843	198 479 562	--	--
Total Facilities	342 437 008	360 644 205	--	--
Second: Bank loans				
Bank loans - CIB	58 650 000	56 100 000	81 600 000	96 900 000
Bank loans - EBRD	134 565 215	107 434 780	67 282 612	80 576 090
Total bank Loans	193 215 215	163 534 780	148 882 612	177 476 090

22. Trade and notes payable

EGP	Current		Non-current	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Local trade payables	456 346 976	538 068 704	--	--
Foreign trade payables	293 803 827	306 432 404	--	--
Notes payable*	2 985 561	3 066 177	3 827 934	4 544 514
Total	753 136 364	847 567 285	3 827 934	4 544 514

* The value of the notes payable represents the value of the checks issued in favour of City Gas, which resulted from the settlement of the previous dispute with the company regarding the differences in gas consumption, and a settlement in 2020 agreement was reached whereby the company charged EGP 19 847 553, which was paid with notes payables until 2025 recognized at net present value. The undiscounted value of the notes payables obligation at the end of the period amounted to EGP 9 847 553.

23. Provision for claims

EGP	
Balance at January 1, 2023	63 871 019
Additional provisions recognized	3 042 000
Provisions used during the period	(1 109 836)
Balance at March 31, 2023	65 803 183

Management annually reviews and adjusts these provisions based on the latest developments, discussions and agreements with the involved parties.

24. Creditors and other credit balances

EGP	March 31, 2023	December 31, 2022
Advances from customers	87 519 025	140 386 136
Accrued development fees	8 154 804	10 433 957
Accrued customers rebates	38 368 814	74 784 633
Accrued expenses	34 298 159	22 914 785
Retention	4 830 309	4 830 301
Accrued interest	2 899 421	2 759 721
Accrued taxes	33 288 057	27 009 775
Accrued revenue – Grant	11 892 740	12 193 446
Other	1 847 086	3 689 246
TOTAL	223 098 415	299 002 000

25. Related party transactions

During the period, group entities entered into the following transactions with related parties:

EGP	Nature of relationship	Nature of transaction	Amount of transaction	
			March 31, 2023	March 31, 2022
Andalus Reliance for Mining Company	Joint Venture	Purchases	--	7 360 196
Cementos La Union – Spain Company	Subsidiary of the parent	Services Sales	1 191 104 --	8 399 650 29 987 534

The following balances were outstanding at the end of the reporting period:

EGP	Due from related parties		Due to related parties	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Cementos la Union – Spain Company	95 368	76 140	--	--
Andalus Reliance for Mining Company	--	--	--	369 246
Total	95 368	76 140	--	369 246

26. Lease contract

26.1 Right of Use

EGP	Land & Buildings	Total
<u>Cost</u>		
Cost as of January 1, 2023	23 415 587	23 415 587
Cost as of March 31, 2023	23 415 587	23 415 587
<u>Less: - Accumulated amortization</u>		
Accumulated amortization as of January 1, 2023	10 423 521	10 423 521
Amortization for the period	1 473 483	1 473 483
Total accumulated amortization as of March 31, 2023	11 897 004	11 897 004
Net book value March 31, 2023	11 518 583	11 518 583
Net book value December 31, 2022	12 992 066	12 992 066

26.2 Lease liabilities

Lease liabilities recognized in the condensed consolidated statement of financial position

EGP	Current		Non-current	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Lease liabilities	5 634 456	6 411 505	6 191 970	6 724 129
TOTAL	5 634 456	6 411 505	6 191 970	6 724 129

* The lease interest cost during period amounted to EGP 153 248 (refer to note 6)

Amount EGP	March 31, 2023	December 31, 2022
Beginning balance	13 135 634	16 546 118
Additions	--	928 837
Interest expenses	153 248	1 059 210
Repayment of finance leasing	(1 462 456)	(5 398 531)
Ending Balances	11 826 426	13 135 634

27. Significant Events during the period ended March 31, 2023

- The Monetary Policy Committee of the Central Bank of Egypt decided at its meeting on March 30, 2023, to increase the overnight deposit and lending rates and the central bank's main operation rate by 200 basis points to reach 18.25%, 19.25% and 18.75%, respectively. The discount rate was also increased by 200 basis points to 18.75%.
- On March 6, 2023, Prime Minister Decision No. (883) of 2023 was issued to amend and re-issue some provisions of the Egyptian Accounting Standards. The following is a summary of these amendments:

New Standards or amended standards	Summary of significant amendments	Probable effect on consolidated financial statements	Effective date
Egyptian Accounting Standard No. (10) amended 2023 "Fixed Assets" and Egyptian Accounting Standard No. (23) amended 2023 "Intangible Assets".	<p>These standards were reissued in 2023, allowing the use of revaluation model when subsequent measurement of fixed assets and intangible assets.</p> <p>This resulted in amendment of the paragraphs related to the use of the revaluation model option in some of the applicable Egyptian Accounting Standards, which are as follows:</p> <p>- Egyptian Accounting Standard No. (5) "Accounting Policies,</p>	<p>Management is currently studying the possibility of changing the applied accounting policy and using the fair value model option stated in the standard and assessing the potential impact on the consolidated financial statements in case of using this option.</p>	<p>The amendments of adding the option to use the revaluation model are effective for financial periods starting on or after January 1, 2023, retrospectively, cumulative impact of the preliminary applying of the revaluation model shall be added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.</p>

	<p>Changes in Accounting Estimates and Errors".</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (24) "Income Taxes" - Egyptian Accounting Standard No. (30) "Interim Financial Reporting" - Egyptian Accounting Standard No. (31) "Impairment of Assets" - Egyptian Accounting Standard No. (49) "Leasing Contracts" 		
<p>Egyptian Accounting Standard No. (34) amended 2023 "Investment property".</p>	<p>This standard was reissued in 2023, allowing the use fair value model when subsequent measurement of investment property. This resulted in amendment of some paragraphs related to the use of the fair value model option in some of the applicable Egyptian Accounting Standards, which are as follows:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" - Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors". - Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates" - Egyptian Accounting Standard No. (24) "Income Taxes" - Egyptian Accounting Standard No. (30) "Interim Financial Reporting " - Egyptian Accounting Standard No. (31) "Impairment of Assets" 	<p>The standard has no impact on the consolidated financial statements</p>	<p>The amendments of adding the option to use the fair value model are effective for financial periods starting on or after January 1, 2023 retrospectively, cumulative impact of the preliminary applying of the fair value model shall be added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this model for the first time.</p>

	<p>- Egyptian Accounting Standard No. (32) "Non-Current Assets Held for Sale and Discontinued Operations"</p> <p>- Egyptian Accounting Standard No. (49) "Leasing Contracts"</p>		
<p>Egyptian Accounting Standard No. (36) amended 2023 Exploration for and Evaluation of Mineral Resources"</p>	<p>This standard was reissued in 2023, allowing the use of revaluation model when subsequent measurement of exploration and valuation assets. The company applies either the cost model or the revaluation model for exploration and valuation assets, the evaluation should carried out by experts specialized in valuation and registered in a register maintained for this purpose at the Ministry of Petroleum, and in the case of applying the revaluation model (whether the model stated in the Egyptian Accounting Standard (10) "Fixed Assets " or the model stated in Egyptian Accounting Standard (23) "Intangible Assets") should consistent with the classification of assets in accordance with paragraph No. (15) of Egyptian Accounting Standard No. (36) amended 2023.</p>	<p>The standard has no impact on the consolidated financial statements</p>	<p>The amendments of adding the option to use the revaluation model are effective for financial periods starting on or after January 1, 2023, retrospectively, cumulative impact of the preliminary applying of the revaluation model shall be added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.</p>
<p>Egyptian Accounting Standard No. (35) amended 2023 "Agriculture"</p>	<p>This standard was reissued in 2023, where paragraphs (1-5), (8), (24), and (44) were amended and paragraphs (5a) - (5c) and (63) were added, with respect to the accounting treatment of agricultural produce harvested, (Egyptian Accounting Standard (10) "Fixed assets " was amended accordingly).</p>	<p>The standard has no impact on the consolidated financial statements.</p>	<p>These amendments are effective for annual financial periods starting on or after January 1, 2023 retrospectively, cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be added to the balance of retained earnings or losses at</p>

	<p>The Company is not required to disclose the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) for the current period, which is the period of the financial statements in which the Egyptian Accounting Standard No. (35) amended 2023 and Egyptian Accounting Standard No. (10) amended 2023 are applied for the first time in relation to agricultural produce harvested. However, the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) should be disclosed for each comparative period presented.</p>		<p>the beginning of the financial period in which the company applies this treatment for the first time.</p>
<p>Egyptian Accounting Standard No. (50) "Insurance Contracts"</p>	<p>This standard determines the principles of recognition of insurance contracts falling within the scope of this standard, and determines their measurement, presentation, and disclosure. The objective of the standard is to ensure that the company provides appropriate information that truthfully reflects those contracts. This information provides users of the financial statements with the basis for assessing the impact of insurance contracts on the company's financial position, financial performance, and cash flows. Egyptian Accounting Standard No. (50) replaces and cancels Egyptian Accounting Standard No. 37 "Insurance Contracts". Any reference to Egyptian Accounting Standard No. (37) in</p>	<p>Management is currently evaluating the potential impact on the consolidated financial statements from the application of the standard.</p>	<p>Egyptian Accounting Standard No. (50) is effective for annual financial periods starting on or after July 1, 2024, and if the Egyptian Accounting Standard No. (50) shall be applied for an earlier period, the company should disclose that fact</p>

	<p>other Egyptian Accounting Standards to be replaced by Egyptian Accounting Standard No. (50).</p> <p>The following Egyptian Accounting Standards have been amended to comply with the requirements of the application of Egyptian Accounting Standard No. (50) "Insurance Contracts", as follows:</p> <ul style="list-style-type: none">- Egyptian Accounting Standard No. (10) "Fixed Assets".- Egyptian Accounting Standard No. (23) "Intangible Assets".- Egyptian Accounting Standard No. (34) " Investment property".		
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Sergio Alcantarilla Rodriguez
Chief Executive Officer



Arturo Gallart Mauri
Chief Financial Officer