

Shareholders' Circular - Al Jouf Cement

The Extraordinary General Assembly **/**/1443H (corresponding to **/**/2022G)

Company's Capital shall be reduced by an amount of three hundred and forty-three million (343,000,000) Saudi riyals from one billion four hundred and thirty million (1,430,000,000) Saudi riyals which is divided into one hundred and forty-three million (143,000,000) ordinary shares, so that the company's new capital becomes one billion and eighty-seven million (1,087,000,000) Saudi riyals which is divided into one hundred and eight million seven hundred thousand (108,700,000) ordinary shares

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Company Data

Company Data

Al Jouf Cement

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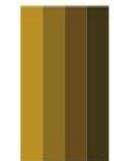
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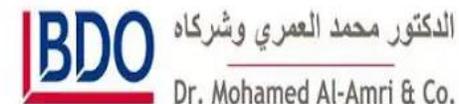
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Company Background

- Al Jouf Cement (hereinafter referred to as “the Company”) is a Saudi joint stock company established pursuant to Ministerial Resolution No. 1870, on 11/07/1427H (corresponding to 06/08/2006G) and registered under Commercial Registration No. 1010225259, on 01/11/1427H (corresponding to 22/11/2006G). The company’s activity is represented in the production of all types of cement, wholesale and retail trade in the company’s products, building materials and land ownership. To achieve this purpose, the company may establish or participate in the establishment of industrial services companies, for the purpose of providing maintenance and services to factories inside and outside the Kingdom, manage and operate cement factories in all its types, hold patents and utilize it in achieving its industrial purposes within and outside the kingdom, establish or participate in the establishment of the companies that complement or supplement the company's activity, as well as establish cement derivatives factories , such as ready-mix concrete, block and tile factories, etc. in the same field, and commercial agencies
- The headquarter of the company is located in Riyadh - Omar bin Abdulaziz Road - Al Rabwah district, P.O Box 295689 - Riyadh, 11351

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Company Background

The company's current capital is one billion four hundred and thirty million (1,430,000,000) Saudi riyals divided into one hundred and forty-three million (143,000,000) ordinary shares, which has a nominal value of ten (10) Saudi riyals per share, paid in full. The following is the development of the capital since the incorporation of the Company:

Date	Event
11/07/1427H (corresponding to 06/08/2006G)	Al Jouf Cement was established as a Saudi joint stock company with a capital of two billion and twenty-one million (1,021,000,000) Saudi riyals divided into one hundred and two million and one hundred thousand (102,100,000) ordinary shares with a nominal value of (10) Saudi riyals per share.
27/06/1430H (corresponding to 20/06/2009G)	The company held on 20/06/2009G a meeting of the Extraordinary General Assembly to acknowledge and approve the offering process for public subscription after raising the capital value with an amount of two hundred and seventy-nine million (279,000,000) Saudi riyals by issuing twenty-seven million nine hundred thousand (27,900,000) new shares and offering them for public subscription at a price 10 riyals per share, and upon the end of the offering process, the current shareholders shall collectively own 50% of the capital shares after the increase, and thus the company's capital was increased from one billion and twenty-one million (1,021,000,000) Saudi riyals divided into one hundred and two million and one hundred thousand (102,100,000) ordinary shares to one billion three hundred million (1,300,000,000) Saudi riyals divided into one hundred and thirty million (130,000,000) ordinary shares
01/09/1431H (corresponding to 11/08/2010G)	The company has listed and registered one hundred and thirty million (130,000,000) ordinary shares with a nominal value of (10) Saudi riyals per share in the Saudi stock market (Tadawul), where sixty-five million (65,000,000) ordinary shares were offered for public subscription with a nominal value of (10) riyals Saudi per share, which represents 50% of the company's capital.
23/10/1438H (corresponding to 17/07/2017G)	During its meeting held on 17/07/2017G, the company's extraordinary general assembly approved the board of directors' recommendation to increase the capital by one hundred and thirty million (130,000,000) Saudi riyals, divided into thirteen million (13,000,000) ordinary shares, by capitalizing them from the retained profits. Consequently, the company's capital was increased from one billion three hundred million (1,300,000,000) Saudi riyals divided into one hundred and thirty million (130,000,000) ordinary shares to one billion four hundred and thirty million (1,430,000,000) Saudi riyals divided into one hundred and forty-three million (143,000,000) ordinary shares, through granting free shares at the rate of one share for every ten shares.

Company Background

Date	Event
03/09/1443H (corresponding to 04/04/2022G)	The company announced, through Tadawul website, the board of directors' recommendation to reduce the company's capital from one billion four hundred thirty million (1,430,000,000) Saudi riyals to one billion and eighty-seven million (1,087,000,000) Saudi riyals by canceling (34,300,000) shares of the company's issued shares, in order to amortize the amount of three hundred forty-three million (334,000,000) Saudi riyals of the total accumulated losses.
17/11/1443H (corresponding to 16/06/2022G)	The Capital Market Authority approved the request to reduce the company's capital from one billion four hundred thirty million (1,430,000,000) Saudi riyals to one billion and eighty-seven million (1,087,000,000) Saudi riyals by canceling (34,300,000) shares of the company's issued shares. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).
//1443H (corresponding to **/**/2022G)	During its meeting held on **/**/2022G, the Extraordinary General Assembly of the company agreed to reduce the company's capital from one billion four hundred and thirty million (1,430,000,000) Saudi riyals to one billion and eighty-seven million (1,087,000,000) Saudi riyals by canceling thirty-four million three hundred thousand (34,300,000) shares of the company's issued shares. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).

Company Background - Board of Directors

NAME*	Position	Capacity	Indirect Shareholding %	Direct Shareholding	Nationality	Membership date
Mohamed Said Hassan Attia	Chairman	Non-executive	-	0.0769231%	Saudi	06/08/2020G
Abdul Aziz Abdul Ilah Muhammad Salih Kaaki	Vice Chairman	Non-executive	-	0.4202804%	Saudi	06/08/2020G
Faisal Hamza Bahy El Din El Khouly	Director	Non-executive	-	%0.0038462	Saudi	06/08/2020G
Ibrahim Mazen Abu Al-Huda Khashoggi	Director	Independent	-	%0.0007692	Saudi	06/08/2020G
Talal Othman Abdul Mohsen Al Muammar	Director	Independent	-	-	Saudi	06/08/2020G
Saad Amash Saad Al-Shamry	Director	Independent	-	-	Saudi	06/08/2020G

Source: The Company and Tadawul.

* During its meeting held on 23/07/2020G, The (Ordinary) General Assembly agreed to appoint directors to the Board of Directors, provided that the appointment shall take effect on 06/08/2020G for 3 years ending on 05/08/2023G.

Note:

It was recommended by the above-mentioned directors on 02/09/1443H (corresponding to 03/04/2022G) to reduce the company's capital from (1,430,000,000) Saudi riyals to (1,087,000,000) Saudi riyals by canceling (34,300,000) shares of the issued shares.

Company Background - Executive Management

Name	Position	Educational Qualification	Nationality	Date of Appointment
Eng. Jamal Salem Abdullah Al Amer	CEO	Bachelor of Chemical Engineering - Master of Business Administration	Saudi	03/11/2013G
Mr. Hamed Saeed Hamdan Al-Ghamdi	chief financial officer	Bachelor of Accounting	Saudi	01-06-2014
Eng. Hani Youssef Muhammad Al-Katami	Material Manager	Master's in Information Technology Development Engineering - Master of Business Administration	Saudi	25-05-2014
Eng. Adel Awad Sabeel Al-Anzi	Factory manager	Bachelor of Chemical Engineering	Saudi	05-02-2014

Source: The Company.

Development of the Company's accumulated loss(es)

Fiscal Year	Net profit (loss)	Accumulated Losses	Percentage of accumulated Losses to Capital %	Reason behind the increase/ decrease in accumulated losses
2019G	5,256,112 Saudi riyals	(93,595,226) Saudi riyals	6.55%	<p>The accumulated losses amounted to 343,113,599 million Saudi riyals, which represents 23.99% of the capital. During the fiscal year 2021G, the company made amendments to the balance of the retained profits for the fiscal years 2019 and 2020G, and the following are the most prominent amendments:</p> <ul style="list-style-type: none"> The company reviewed the balance discrepancies with one of the suppliers, and found that there is an unrecorded amount of 9 million Saudi riyals entitled to the supplier in the previous years, and as a result of this amendments, the retained profits decreased by 9 million Saudi riyals. Later, when the financial statements were issued on January 24, 2022G corresponding to Jumada Al-Thani 21, 1443H, a claim was received from the Saudi Industrial Development Fund) to pay an amount of 49.5 million Saudi riyals due to the default on payment of the asset-backed company (Eastern Industrial Co.) which is an investee company, and accordingly the company acknowledged and recorded the full amount in the previous years as this liability is related to previous years. The effect of this amendment led to a decrease in retained profits by 49.5 million Saudi riyals and an increase in the provisions to match the liability with the same amount. The company has studied spare parts of the machinery and ovens that were previously capitalized within property and equipment at a value of 20.9 million Saudi riyals. On December 31, 2020G (compared to 19.9 million Saudi riyals in January 2020G), as the management considered that these parts are not used for more than a year, and they are included in the periodic maintenance expenses, and the company closed the full balance and divided the amount among the relevant years. The impact on the consolidated financial statements is an increase in the loss for the year ending on December 31, 2020G by 1.1 million Saudi riyals), and a decrease in retained profits as on January 1, 2020G, which relates to previous years, by 19.9 million Saudi riyals During the year ending on December 31, 2020G, the company reclassified the strategic spare parts and included them into property, machinery and equipment, which were previously registered in the inventory, with a value of 12.9 million Saudi riyals, and depreciated them from the date of the actual purchase. The company divided the amount among the relevant years. Accordingly, its impact on the consolidated financial statements represented in an increase in depreciation for the year ending on December 31, 2020G by 1.2 million Saudi riyals, and a decrease in retained profits as on January 1, 2020G, which relates to previous years by 4.9 million Saudi riyals. Property, machinery and equipment included interest on loans and periodic maintenance expenses that were charged to projects under implementation during the previous years by about 103.8 million Saudi riyals. The company settled the expenses that were charged on previous years on the account of retained profits, and the company closed the balance in full and divided the amounts among the relevant years. Accordingly, its impact on the consolidated financial statements represented in an increase in the loss for the year ending on December 31, 2020G: by 11.8 million Saudi riyals), and a decrease in retained profits as on January 1, 2020, which relates to previous years, by 92 million Saudi riyals. During 2020G, the company to pay an amount of 30.3 million Saudi riyals and the company did not create a provision to match the liability. The company corrected the errors according to the discrepancies, and the effect of this amendment led to a decrease in retained profits by 30.3 million Saudi riyals and an increase in other provisions by the same amount.
2020G	(98,542,255) Saudi riyals	(192,137,481) Saudi riyals	13.44%	
2021G	(150,976,118) Saudi riyals	(343,113,599) Saudi riyals	23.99%	

The company's plan and corrective Actions to prevent loss(es)

During 2021G, the company restructured its existing investments and projects, by supporting its subsidiaries, represented in:

1. Al Jouf Investments Company: By amortizing the losses in the balance of the loan granted to it by Al Jouf Cement
2. Al Jouf Cement Jordan: By amortizing the losses in the current account balance on behalf of Al Jouf Cement

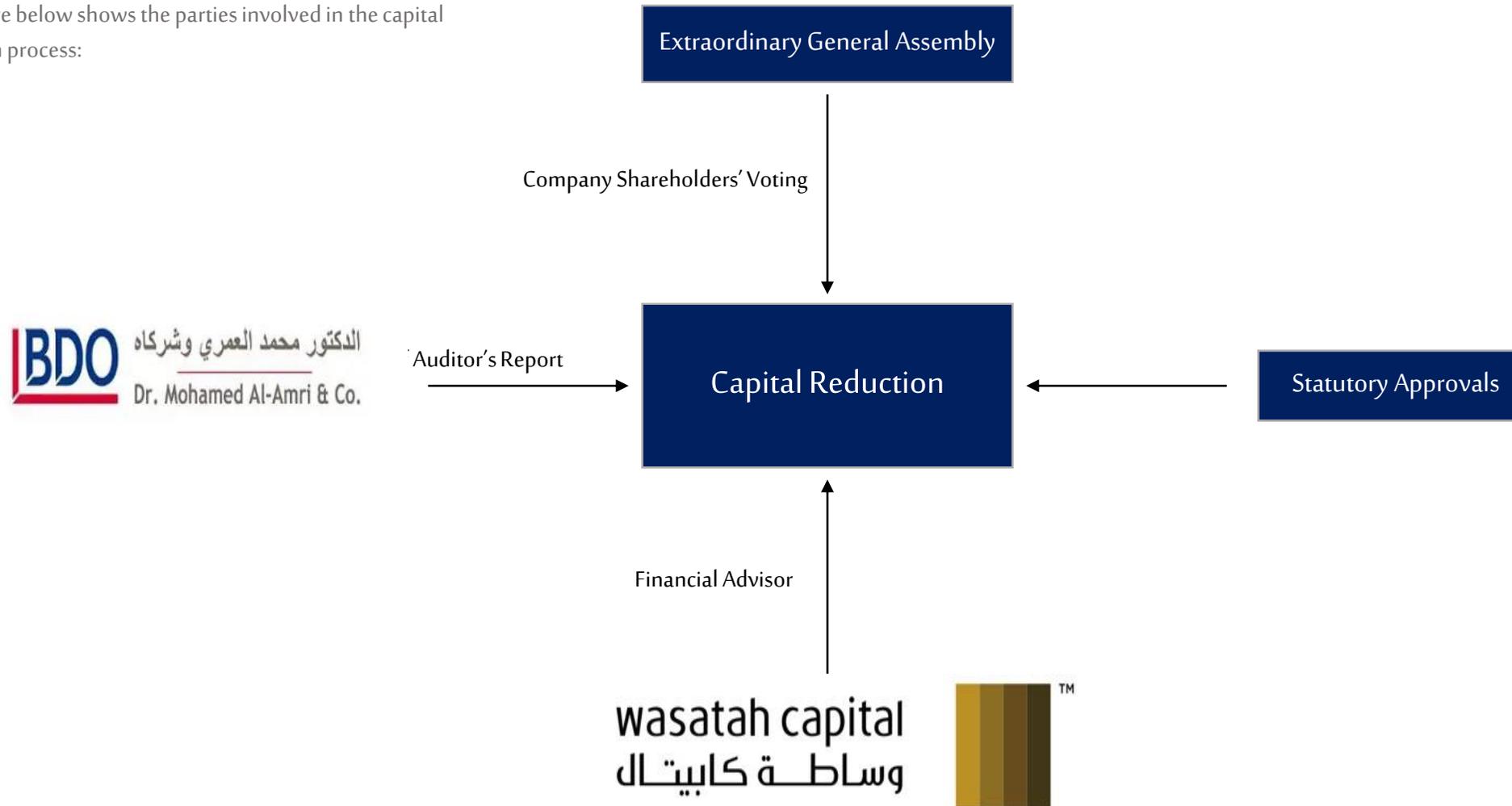
So that the subsidiaries can restore their activity that supports the work of the main parent company, which is specialized in the field of transporting, selling and exporting cement and its derivatives. Thus, the company has started the first steps to support its future business by continuity of production and maintaining its market share. The company also seeks to open other markets for its products, as the company has expanded by exporting the cement clinker to Jordan, and the amount of cement clinker exported to Jordan amounted to 127 thousand tons during 2021G, and it is expected to reach more than 200 thousand tons in 2022G.

At the end of 2021G, the company conducted several studies, focusing on its most important assets that achieved losses in net income during 2021G to appear at fair value through accredited consultancies. As these studies included the company's assets, such as the second line project and its equipment and spare parts, as well as the credit study of the company's financial liabilities. Accordingly, the company achieves its future goal by coming over any obstacles that may hinder its progress or affects its financial outcomes.

The Board of Directors decided not to engage in any future investments outside the scope of cement, so that the focus in future plans shall be on the main industry (the production of cement of all kinds and its derivatives), and the company plans to produce well cement, as the production process is expected to start at the end of the current year 2022G, in addition to completing the white cement project after it was temporarily suspended due to the Coronavirus pandemic, and the project implementation is expected to resume in the middle of 2023G, as the production process shall start in the first quarter of the year 2024G, and these projects shall have a good and tangible impact in raising revenues.

Capital Reduction

The figure below shows the parties involved in the capital reduction process:



General Structure of Proposed Capital Reduction

- The company's current capital is one billion four hundred and thirty million (1,430,000,000) Saudi riyals divided into one hundred and forty-three million (143,000,000) ordinary shares, which has a nominal value of ten (10) Saudi riyals per share, paid in full
- It was recommended by the members of the Board of Directors on 02/09/1443H (corresponding to 03/04/2022G) to reduce the company's capital from (1,430,000,000) Saudi riyals to (1,087,000,000) Saudi riyals by canceling (34,300,000) shares of the issued shares, so that the company's new capital becomes one billion eighty-seven million (1,087,000,000) Saudi riyals divided into one hundred and eight million seven hundred thousand (108,700,000) ordinary shares.
- The capital reduction percentage is 23.9860% , and the reduction process shall be done by canceling Thirty-four million three hundred thousand (34,300,000) shares, i.e. at a cancellation rate of 0.239860 shares per 1 share to amortize 99.97% of the total accumulated losses amounting to three hundred and forty-three million one hundred and thirteen thousand five hundred ninety nine (343,113,599) Saudi riyals.
- The company shall combine any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell them in the market at the prevailing price for the time being, and then the proceeds of selling them shall be distributed to the company's shareholders, each according to his ownership within (30) thirty days from the date of the Shareholders' approval issued in the extraordinary general assembly to reduce the company's capital.
- Date of the financial statements that were relied upon for purposes of capital reduction : Financial statements for the fiscal year ending on December 31, 2021G.

Reasons behind capital reduction and the discussion and analysis of management in this regard:

- ❑ The main reasons behind the board of directors' recommendation to reduce the capital are as follows:
 - The company's management developed a strategy to support the future growth and financial performance of the company, and the company's board of directors decided to restructure the capital by initially reducing the capital and then increasing the capital through the issuance of preemptive rights share. This is for the purpose of restructuring the capital, raising the company's solvency, and improving operational and financial performance. Accordingly, the Board of Directors issued its recommendation for reducing the company's capital from one billion four hundred thirty million (1,430,000,000) Saudi riyals to one billion and eighty-seven million (1,087,000,000) Saudi riyals by canceling thirty-four million three hundred thousand (34,300,000) shares of the company's issued shares. The increase in losses are mainly due to the following:
 - Provisions resulting from the study of the assets value decline, credit study and spare parts
 - Provisions relating to certain investments in the subsidiaries
 - Provisions against previous liabilities related to some investments
 - Provisions arising from past potential liabilities
- ❑ The company obtained the approval of the Capital Market Authority on the request to reduce the company's capital on 17/11/1443H (corresponding to 16/06/2220G), and this approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul), on 17/11/1443H (corresponding to 16/06/2220G).
- ❑ The company invited and announced this extraordinary general assembly on the website of the Saudi Stock Exchange (Tadawul), to be convened on **/**/1443H (corresponding to **/**/2220G), in addition, a copy of such offer was included in the announcement.

Effect of Capital Reduction on the Company's Liabilities

- The company appointed Dr. Mohamed Al-Amri & Co. as a chartered accountant to prepare the accounting report related to the capital reduction process, whereby the reduction mechanism and its expected effect on the company's Liabilities were indicated.
- There shall be no effect of capital reduction on the Company's liabilities as indicated in the Auditor's Report.

Effect of capital reduction on shareholders' equity

- The company's accumulated losses reached three hundred and forty-three million and one hundred and thirteen thousand five hundred and ninety-nine (343,113,599) Saudi riyals. As on December 31, 2021, the capital reduction by three hundred and forty-three million (343,000,000) Saudi riyals shall lead to amortize 99.97% of the total accumulated losses.

Effect on the equity of the Company's Shareholders shall rely on the financial statements for the period ending on December 31, 2021G:

Shareholders' Equities as on December 31, 2021G	Before Capital Reduction	After Capital Reduction	Impact
Capital	1,430,000,000	1,087,000,000	(343,000,000)
Investment fair value reserve	(46,000,000)	(46,000,000)	
Re-measurement of employee benefits	(1,728,804)	(1,728,804)	
Foreign currency exchange reserve	(63,150)	(63,150)	
statutory reserves	51,386,441	51,386,441	
Accumulated Losses	(343,113,599)	(113,599)	343,000,000
Total Shareholders' Equities	1,090,480,888	1,090,480,888	

Source: Attached Auditor's Report and Financial Statements as on December 31, 2021G.

Effect of capital reduction on shareholders' equity

- The company intends to reduce its capital by an amount of (343,000,000) Saudi riyals from (1,430,000,000) Saudi riyals to (1,087,000,000) Saudi riyals by canceling (34,300,000) shares of the company's issued shares, at a cancellation rate of 0.2398 shares for every 1 share
- The company shall combine any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell them in the market at the prevailing price for the time being, and then the proceeds of selling them shall be distributed to the company's shareholders, each according to his ownership within (30) thirty days from the date of the Shareholders' approval issued in the extraordinary general assembly to reduce the company's capital.
- The company's capital reduction shall not affect the market value of shareholders' portfolios, as shown below, an example of a shareholder who owns in his portfolio one thousand (1,000) shares of the company's shares.

Item (estimated)	With a capital reduction	Without a capital reduction
Owned shares before the capital reduction	1000	1000
Share price before the capital reduction (closing on 12/06/2022G)	10.58 Saudi riyals	10.58 Saudi riyals
Canceled shares	240	NA
Owned shares after the capital reduction	760	NA
Share price after the capital reduction (estimated)**	13.92 Saudi riyals	NA
Market value of shares before the capital reduction (estimated)	10,580 Saudi riyals	10,580 Saudi riyals
Market value of shares after the capital reduction (estimated)	10,578.05 Saudi riyals	NA
Value of compensation resulting from fractional shares (estimated)	1.95 Saudi riyals	NA

* The offer to shareholders shall be updated by adding the share closing price on the EGM date.

** The expected share price has been rounded up after capital reduction from 13.91849 to 13.92 Saudi riyals.

Effect of capital reduction on shareholders' equity

- It should be noted that shareholder who owns one share in their portfolio shall have this share canceled and compensated, the table below shows the effect on the shareholder who owns up to 10 shares:

Item (estimated)	1	2	3	4	5	6	7	8	9	10
Owned shares before the capital reduction	1	2	3	4	5	6	7	8	9	10
Share price before the capital reduction (closing on 12/06/2022G)	10.58	10.58	10.58	10.58	10.58	10.58	10.58	10.58	10.58	10.58
Canceled shares	1	1	1	1	2	2	2	2	3	3
Owned shares after the capital reduction	0	1	2	3	3	4	5	6	6	7
Share price after the capital reduction (estimated)**	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.92
Market value of shares before the capital reduction (estimated)	10.58	21.16	31.74	42.32	52.90	63.48	74.06	84.64	95.22	105.80
Market value of shares after the capital reduction (estimated)	0.00	13.92	27.84	41.76	41.76	55.67	69.59	83.51	83.51	97.43
Value of compensation resulting from fractional shares (estimated)	10.58	7.24	3.90	0.56	11.14	7.81	4.47	1.13	11.71	8.37

* The offer to shareholders shall be updated by adding the share closing price on the EGM date.

** The expected share price has been rounded up after capital reduction from 13.91849 to 13.92 Saudi riyals.

Method of Calculating Share Price After Capital Reduction

- It was considered that the share price before the capital reduction represents the closing price of the shares of Al Jouf Cement on 12/06/2022G, which amounts to (13.92) Saudi riyals, and the table below shows the method of calculating the share price after the capital reduction.

Item	
(A) Share price before the capital reduction (closing on 12/06/2022G)	10.58
(B) Number of shares before capital reduction	143,000,000
(C) Market value of company's shares before capital reduction = (A) X (B).	1,512,940,000
(D) Number of shares after capital reduction	108,700,000
Market value of company's share after capital reduction = (C) ÷ (D)*	13.92

* The expected share price has been rounded up after capital reduction from 13.91849 to 13.92 Saudi riyals.

Potential Risks resulting from Capital reduction

- There are not any potential risks, resulting from capital reduction, as the capital reduction process aims to amortize the accumulated losses, which shall strengthen the financial position of the company and shall maintain its continuity. The company is rectifying its status to stop losses and achieve profits, which shall benefit the company's shareholders. It is worth noting that the chartered accountant has reviewed the process of the capital reduction from the financial and legal aspects and confirmed that there are no risks that could affect the company.
- After the capital reduction, all the accumulated losses shall be written off from the company's capital. If the accumulated losses reached (20%) or more of the company's capital, the company shall be subject to the Authority's regulation of "procedures and instructions for listed companies whose accumulated losses amounted to 20% or more of its capital". If the percentage of accumulated losses reaches (50%) or more, the company shall be subject to a number of more stringent requirements, in particular Article (150) of the Companies Law, which binds any official in the company or the auditor as soon as he learns that the company's accumulated losses have reached 50% or more of its capital to notify the Chairman of the Board of Directors, and the Chairman of the Board of Directors shall inform the directors immediately, and the Board of Directors, within (15) days of becoming aware of the percentage of accumulated losses, shall invite the Extraordinary General Assembly to meet within (45) days from the date of the Board's knowledge of the losses, to decide whether to increase the capital of the company, reducing it to the extent that the percentage of losses decreases to less than half of the paid-up capital of the company, or dissolving the company before the term specified in its articles of association. The company shall be considered dissolved by the force of the law if the extraordinary general assembly did not meet within the period specified above, or if it met and was unable to issue a resolution in this regard, or if it decided to increase the capital in accordance with the conditions prescribed in Article (150) of the Companies Law and not every capital increase was subscribed to, within (90) days from the issuance of the Assembly's resolution to increase the capital. If the company was dissolved by force of law under Article (150) of the Companies Law or by a resolution of the Extraordinary General Assembly, the company shall no longer be listed.

Timeframe of Capital Reduction Process

Date	Event
03/09/1443H (corresponding to 04/04/2022G)	Announcing the Board of Directors' recommendation to reduce the capital from (1,430,000,000) Saudi riyals to (1,087,000,000) Saudi riyals
15/10/1443H (corresponding to 16/05/2022G)	Announcing the appointment of the financial advisor for the company's capital reduction process.
22/10/1443H (corresponding to 23/05/2020G)	Submitting a request to the Capital Market Authority for company's capital reduction.
17/11/1443H (corresponding to 16/06/2022G)	The approval of the Capital Market Authority (CMA) on the request to reduce the company's capital, and such approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).
<p data-bbox="300 678 453 706">**/**/1443H</p> <p data-bbox="191 763 560 792">(corresponding to **/**/2022G)</p>	The company invited to hold this extraordinary general assembly and announced that on the website of the Saudi Stock Exchange (Tadawul). In addition, a copy of such offer was included in the announcement.
<p data-bbox="300 831 453 859">**/**/1443H</p> <p data-bbox="191 916 560 945">(corresponding to **/**/2022G)</p>	Announcing the start of electronic voting on the agenda of the Extraordinary General Assembly meeting, including reducing the capital (the first meeting).
<p data-bbox="300 983 453 1012">**/**/1443H</p> <p data-bbox="191 1069 560 1098">(corresponding to **/**/2022G)</p>	Convening EGM on capital reduction (first meeting), and in case the quorum necessary for holding the first meeting is not met, the second meeting shall be held one hour after the period set for the first meeting is expired. In case the quorum necessary for holding the second meeting is not met, the third meeting shall be held within (21) days after the period set for the second meeting is expired.
<p data-bbox="300 1136 453 1165">**/**/1443H</p> <p data-bbox="191 1222 560 1250">(corresponding to **/**/2022G)</p>	Announcing the results of EGM.
<p data-bbox="300 1289 453 1318">**/**/1443H</p> <p data-bbox="191 1375 560 1403">(corresponding to **/**/2022G)</p>	Announcing the deposit of returns (if any) from selling fractional shares resulting from capital reduction at the accounts of eligible shareholders, within (30) days from shareholders' approval at EGM on capital reduction.

Capital Reduction

Capital reduction procedures:

The process of capital reduction shall be subject to the following procedures:

- The board of directors' recommendation to reduce the capital.
- The appointment of financial advisor for the company's capital reduction.
- The appointment of chartered accountant to prepare the accounting report related to the capital reduction process.
- Preparing and submitting a capital reduction request to the Capital Market Authority in accordance with the conditions of Article 58 of the Rules on the Offer of Securities and Continuing Obligations related to the conditions of capital reduction.
- The approval of the Capital Market Authority on the request to the company's capital reduction.
- Giving a notice to the Saudi Stock Exchange (Tadawul) in the form provided in Annex (5) of the Listing Rules.
- The approval of the extraordinary general assembly on the company's capital reduction.

The board of directors' approval:

The directors of the company's board of directors confirm, according to their knowledge and belief, that the reduction of the company's capital is in the interest of the company and the shareholders.

The necessary regulatory approvals to complete company's Capital Reduction Process

- The company obtained the approval of the Capital Market Authority on 17/11/1443H (corresponding to 16/06/2022G) on a request to reduce the company's capital from one billion four hundred and thirty million (1,430,000,000) Saudi riyals to one billion and eighty-seven million (1,087,000,000) Saudi riyals by canceling thirty-four million three hundred thousand (34,300,000) shares of the company's issued shares, which represent 24% of the capital. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul) on 17/11/1443H (corresponding to 16/06/2220G).
- The process of the capital reduction requires the approval of the shareholders, and the shareholders should be aware that if their approval is not obtained for this capital reduction, the process of the capital reduction shall not be carried out.
- In case shareholders' approval on capital reduction is obtained, the company shall continue the procedures of capital reduction and address the Ministry of Commerce to obtain its approval to amend the commercial register and company's articles of association.
- Notwithstanding anything to the contrary mentioned above, there are no other regulatory approvals that the company should obtain to complete the capital reduction process.

Related Laws, Regulations and Instructions

- Companies Law issued by Royal Decree No. (D/3), on 28/01/1437H (corresponding to 10/11/2015G).
- Capital Market Law issued by Royal Decree No. (D/30), on 02/06/1424H (corresponding to 31/07/2003G) and amendments thereto.
- Rules on the Offer of Securities and Continuing Obligations issued by CMA Board pursuant to Resolution No. 3-123-2017, on 09/04/1439H (corresponding to 27/12/2017G), amended by CMA Board's Resolution No. 5– 5 – 2022, on 02/06/1443H (corresponding to 05/01/2022G).
- Listing rules approved by CMA Board's Resolution No. 3-123-2017, on 09/04/1439H (corresponding to 27/12/2017G), amended by CMA Board's Resolution No. 1 – 104 – 2019, on 01/02/1441H (corresponding to 30/09/2019G), amended by CMA Board's Resolution No. 1-19-2022, on 12/07/1443H (corresponding to 13/02/2022G), amended by CMA Board's Resolution No. 1-52-2022, on 12/09/1443H (corresponding to 13/04/2022G)
- Company's articles of association.
- Procedures and instructions for listed companies whose accumulated losses reached 20% or more of their capital, issued by CMA Board pursuant to Resolution No. 4-48-2013, on 15/01/1435H (corresponding to 18/11/2013G) according to Capital Market Law issued by Royal Decree No. D/30, on 02/06/1424H, and amended by CMA Board's Resolution No. 1-77-2018, on 05/11/1439H (corresponding to 18/07/2018G).

Auditor's Report

- The company has appointed Dr. Mohamed Al-Amri & Co. to prepare a limited audit report to study the reasons behind capital reduction and the effect of such reduction on company's liabilities and shareholders' equity, for obtaining CMA approval on capital reduction request.
- Reciting the auditor's report, in compliance with Article 144 of Companies Law issued by Royal Decree No. (D/3), on 28/01/1437H, stipulating that the reduction resolution shall only be issued after reciting a special report prepared by the auditor on the reasons for such resolution, company's liabilities, and the effect of capital reduction on such liabilities.
- A copy of the limited audit report prepared by the chartered auditor was included in the announcement of the invitation to such extraordinary general assembly on the website of the Saudi Stock Exchange (Tadawul) on **/** 1443H (corresponding to **/**/2022G)

Important Information

- With reference to procedures and instructions for listed companies whose accumulated losses reached 50% or more of its capital, issued by CMA's Board Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G), according to Capital Market Law issued by Royal Decree No. D/30, on 02/06/1424H, as amended by CMA Board's Resolution No. 1-77-2018, on 05/11/1439H (corresponding to 18/07/2018G).
- In accordance with the Companies Law issued by the Ministry of Commerce in 1437H, and in particular Article (150) thereof, stipulating that If the company's losses reached half of the paid capital, at any time during the fiscal year, any of company's officials or the auditor shall immediately inform the Chairman of Board of Directors, and the Chairman of Board of Directors shall immediately inform the directors, and the Board of Directors shall, within fifteen days from becoming aware thereof, invite to hold the EGM for meeting within forty-five days from the date of becoming aware of the losses, to decide either to increase or reduce the company's capital in accordance with the provisions of law, to the extent that the losses drops below half of the paid capital, or to dissolve the company before the date set in the company's articles of association. The company shall be deemed dissolve by force of law if the EGM fails to meet within 45 days, or if it fails to issue a resolution on such issue, or if it decides to increase the capital in accordance with the conditions established in this article and not every capital increase was subscribed to, within ninety days from the date of EGM on capital increase.
- The company shall disclose to the public immediately and without delay, through a separate announcement, when its accumulated losses reach 20% or more and less than 35% of its capital, provided that the announcement states the amount of accumulated losses, the percentage of such losses to the capital and the main reasons for such losses, and the announcement shall indicate that such procedures and instructions shall be applied. If the required disclosure in accordance with this paragraph, coincides with the announcement of the initial or annual financial results, the company shall be exempted from such disclosure, through a separate announcement, if the company included it in the announcement of the initial or annual financial results.
- The company shall disclose to the public immediately and without delay, through a separate announcement, when its accumulated losses reach 35% or more and less than 50% of its capital, provided that the announcement states the amount of accumulated losses, the percentage of such losses to the capital and the main reasons for such losses, and the announcement shall indicate that such procedures and instructions shall be applied. If the required disclosure in accordance with this paragraph, coincides with the announcement of the initial or annual financial results, the company shall be exempted from such disclosure, through a separate announcement, if the company included it in the announcement of the initial or annual financial results.

Important Information

- The company shall disclose to the public immediately and without delay, through a separate announcement, when its accumulated losses reach 50% or more of its capital, provided that the announcement states the amount of accumulated losses, the percentage of such losses to the capital and the main reasons for such losses, and the announcement shall indicate that such procedures and instructions of the listed companies whose accumulated losses reached 50% or more of their capital, shall be applied. If the required disclosure in accordance with this paragraph, coincides with the announcement of the initial or annual financial results, the company shall be exempted from such disclosure, through a separate announcement, if the company included it in the announcement of the initial or annual financial results.
- According to Article (94) of Companies Law, EGM meeting shall only be valid if attended by shareholders representing at least half of the company's capital. If such quorum is not met at the first meeting, a second meeting shall be called for, which shall be valid if attended by shareholders representing at least a quarter of the capital. If EGM is not held then, a third meeting shall be called for, in accordance with the conditions stipulated in the Companies Law, and the quorum shall be constituted by those who attended after obtaining the approval of the competent authorities.
- In accordance with Article (94) of Companies Law, the EGM resolutions shall be issued by a two-thirds majority of the shares represented in the meeting, unless this resolution is related to an increase or decrease in the capital, or prolongation of the company's term before the expiry of term specified in its bylaw, or its merger with another company or institution, in such case the resolution shall only be valid if issued by a majority of three quarters of the shares represented at the meeting.
- If the company's shareholders agree to reduce the capital, the reduction resolution shall be effective for all shareholders registered in the company's records with Saudi Stock Exchange (Tadawul) at the end of trading on the second day following the date of EGM, including shareholders who did not attend the EGM, as well as shareholders who attended the meeting and did not vote for or against the resolution of capital reduction.

Documents Available for Inspection

- The shareholders' circular shall be published and made available to the public within a period not less than (14) days before the date of EGM on capital reduction.
- The company shall make the following documents available to the company's shareholders for review at the company's headquarters in (Riyadh), from the date of CMA's approval on 17/11/1443H (corresponding to 16/06/2022G) to the date of EGM on **/**/1443H (corresponding to **/**/2022G) during official working hours from 7 a.m. to 4 p.m.
 - A copy of the board of directors' recommendation to reduce the company's capital.
 - A copy of the financial advisor's appointment letter.
 - A copy of the auditor's report on the company's capital reduction.
 - A printed copy of Capital Market Authority's approval on the company's capital reduction request published on the websites of the Capital Market Authority and the websites of Saudi Stock Exchange (Tadawul).
 - A copy of shareholders' circular (the offer made to company's shareholders at the EGM meeting).

Attachments

- A copy of the auditor's report
- A Power of attorney form to attend the EGM meeting (If the state or the competent authorities allow direct meetings).

AGREED-UPON PROCEDURES REPORT ON ACCUMULATED LOSSES OF AL-JOUF CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (THE "COMPANY") AND ITS SUBSIDIARIES (TOGETHER REFERRED TO AS THE "GROUP") AS OF DECEMBER 31, 2021 AS REQUIRED UNDER ARTICLE THREE(C) OF "PROCEDURES AND INSTRUCTIONS RELATED TO LISTED COMPANIES WHICH ACCUMULATED LOSSES REACHING 20% OR MORE OF THEIR SHARE CAPITAL"

To the management of Al jouf cement Company
Riyadh City
Kingdom of Saudi Arabia.

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting the Company on the accumulated losses of the Company shown in the audited Statement of Financial Position of the Company as of December 31, 2021 (Appendix 1) as required under Article Three (c) of the "Procedures and Instructions Related to Listed Companies which Accumulated Losses Reaching 20% or More of Their Share Capital" issued by the Board of the Capital Market Authority pursuant to its Resolution Number 4-48-2013 dated 15/1/1435H corresponding to 18/11/2013G based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424 H and amended by the Board of the Capital Market Authority pursuant to its Resolution Number 1-77-2018 dated 5/11/1439H corresponding to 18/7/2018G. Accordingly, our report may not be suitable for another purpose.

Auditor's of the Company (Engaging Party)

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. Accordingly, we make no representations about the adequacy of the procedures described below if we are asked to use this report for any other purposes.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical and independence requirements in accordance with the Professional Code of Conduct and Ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our engagement and we have fulfilled our other ethical responsibilities in accordance with its requirements.

Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company.

	Procedures	Findings
1	Obtain a copy of recommendation resolution passed in the Board of Directors' meeting to offset Company's accumulated losses against the share capital of the Company.	We have obtained a copy of recommendation resolution passed in the Board of Directors' meeting held on April 3, 2022 and found that the Board of Directors has resolved to offset Company's accumulated losses against the share capital of the Company and thereby reduced the Company's share capital from SR 1,430,000,000 to SR 1,087,000,000 through cancelation of 34,300,000 shares and the number of shares after the reduction become 108,700,000 shares, with no observation.
2	Obtaining the relevant information from the company's management and the effect of the reduction mentioned in the Board of Directors' recommendation decision dated April 4, 2022 in reduction for the capital, and verifying its accuracy.	We obtained the relevant information from the company along with impact mentioned, in the resolutions of the Board of Directors, dated April 4, 2022 for reducing the capital (Appendix 1), with no observation.

The effect of the reduction on the financial statements is as follows:

A) Share capital and accumulated losses

The company's accumulated losses are offset against the capital by an amount of SR343,000,000 and as a result the company's share capital is reduced from SR 1,430,000,000 to SR 1,087,000,000 through cancelation of 34,300,000 shares and the number of shares after the reduction become 108,700,000 shares.

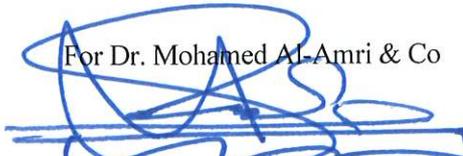
There will be no negative impact in the company liquidity, the shareholder equity and liabilities due to reduction.

These procedures mentioned above do not constitute an audit or review in accordance with international standards on auditing or the review standards endorsed in the Kingdom of Saudi Arabia, and accordingly, we do not issue any confirmation regarding the statement of financial position as on December 31, 2021. (Appendix 1).

Assuming that we have implemented additional procedures, or assuming that we have carried out an audit or review of the financial statements in accordance with international standards on auditing or review standard endorsed in the Kingdom of Saudi Arabia, other matters may come to our attention that would have been reported to you.

The purpose of this report is what was clarified in the first paragraph of this report, the information about the company and the company's uses to complete the legal procedures for reduction the company's capital, and it may not be used for any other purpose or submitted to any other parties.

For Dr. Mohamed Al-Amri & Co


Maher Taha Al-Khatieb
Certified Public Accountant
Registration No.514

Shawwal 22, 1443H
May 23, 2022 G

Appendix (1).

The statement of financial position and the impact of the recommendation to reduce the capital on the financial statements as on December 31, 2021

	Before Reduce Capital December 31, 2021 (Audited)	Impact of Reduce Capital	After impact of Reduce Capital (unaudited)
ASSETS			
Total non- current assets	1,726,446,726	-	1,726,446,726
Total current assets	189,727,164	-	189,727,164
TOTAL ASSETS	1,916,173,890	-	1,916,173,890
EQUITY AND LIABILITIES			
Equity			
Share capital	1,430,000,000	(343,000,000)	1,087,000,000
Statutory reserve	51,386,441	-	51,386,441
Accumulated losses	(343,113,599)	343,000,000	(113,599)
Reserve for fair value of investments	(46,000,000)	-	(46,000,000)
Reserve for foreign currency translation	(63,150)	-	(63,150)
Re-measure employees benefit	(1,728,804)	-	(1,728,804)
Total equity	1,090,480,888	-	1,090,480,888
Total Non-current liabilities	505,221,544	-	505,221,544
Total current liabilities	320,471,458	-	320,471,458
Total liabilities	825,693,002	-	825,693,002
TOTAL EQUITY AND LIABILITIES	1,916,173,890	-	1,916,173,890