

**ARKAN BUILDING MATERIALS
COMPANY (ARKAN) PJSC**

**Reports and condensed consolidated
interim financial statements
for the three-month period
ended 31 March 2022**

ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

**Reports and condensed consolidated interim financial statements
for the three-month period ended 31 March 2022**

	Pages
Board of Directors' report to the shareholders	1 – 2
Report on review of interim financial information	3
Condensed consolidated statement of financial position	4
Condensed consolidated statement of profit or loss	5
Condensed consolidated statement of comprehensive income	6
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9 - 27

**Board of Directors' report to the shareholders
for the three-month period ended 31 March 2022**

On behalf of Arkan Building Materials Company's (Arkan) PJSC Board of Directors ("Arkan" or the "Company"), I am pleased to present the Board of Directors' report for the three months ended 31 March 2022, together with the reviewed condensed consolidated financial statements for the period.

Strategic combination with Emirates Steel Industries PJSC

On 6 October 2021 Arkan completed its combination with Emirates Steel Industries PJSC ("Emirates Steel"), a leading integrated steel manufacturer in the Middle East.

The combination of Arkan and Emirates Steel (the "Combined Group") creates the UAE's largest steel and building materials company with a compelling strategic proposition and strong potential for growth in the UAE and internationally. The transaction provides significant revenue diversification for the Combined Group and marks the first time that investors have access to a steel producer on a UAE public market.

The Group is well placed to scale and grow, create new business opportunities and ensure that homegrown manufacturers are at the forefront of driving a sustainable, diversified national economy.

Financial performance in the three months ended 31 March 2022

The results for the financial period include the results of Emirates Steel following the business combination completed on 6 October 2021; a transaction which created the UAE's largest steel and building materials group.

Arkan's revenue in the first three months of 2022 was AED 2,040.5 million compared to AED 223.5 million in the same period in 2021. The Group's net profit for the period was AED 72.6 million, compared to a net profit of AED 1.2 million for the first three months of 2021.

The enhancement in profitability reflects the anticipated profit performance as envisaged at the time of the business combination with Emirates Steel. The Steel Division contributed a profit of AED 61.1 million and the three-month period witnessed a recovery in the underlying performance of the Group's traditional business units, which collectively generated a profit of AED 11.5 million.

Review of Operations*Emirates Steel*

Revenue from Emirates Steel totalled AED 1,814.6 million for the first three months of 2022 from AED 1,780.3 million in the equivalent period in 2021 (pre-acquisition and not consolidated). Profit from the Steel Division for the first three months of 2022 was AED 61.1 million as compared to a net profit of AED 23.0 million for the same period of 2021 (pre-acquisition and not consolidated). The enhanced levels of profitability was associated with increased sales prices and margins being realised in a more favourable market, for both the division's domestic and export sales; being bolstered by a global rise of commodity prices and an upturn in construction activities in the UAE and the broader GCC.

Cement and Blocks

Revenue from the Cement and Blocks division was AED 183.21 million for the first three months of 2022, compared to AED 184.44 million in the equivalent period in 2021. Profit from this segment for the first three months of 2022 was AED 15.03 million as compared to a profit of AED 2.60 million for the same period in 2021. The significant increase in profitability was due to higher sales prices secured by the Cement division particularly for clinker sales.

**Board of Directors' report to the shareholders
for the three-month period ended 31 March 2022****Review of Operations (continued)***Other*

The Company's other businesses comprise the manufacture and distribution of PVC pipes, GRP pipes and bags. Collectively these businesses reported revenues of AED 42.89 million for the first three months of 2022, compared with AED 39.09 million in the equivalent period in 2021. The businesses generated a profit of AED 2.93 million for the first three months of the year, against a profit of AED 4.54 million in the equivalent period in 2021. Whilst the businesses secured increases in sales prices profitability was adversely impacted by low demand, particularly for the GRP division's products, whereas the PVC division performed significantly better than the equivalent period in 2021.

Liquidity

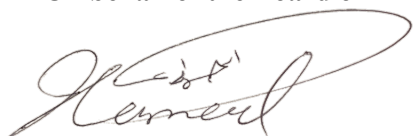
The Company's cash and bank balances were AED 391.4 million (including cash deposits of AED 110.2 million) as of 31 March 2022 (31 December 2021: AED 335.6 million) and total bank borrowings AED 2,260.3 million (31 December 2021: AED 2,623.4 million) giving a reduction in the Group's gearing level to 25.8% at 31 March 2022 (stated inclusive of the cash deposits held) as against 31.9% at 31 December 2021.

Investments

The share of loss from associates for the first three months of 2022 was AED 0.02 million compared to profit of AED 0.58 million in the same period of 2021. The Group did not receive a dividend from the investment in the period (2021: nil).

Total Assets & Shareholders' Equity

The total assets of the Company Group equaled AED 11.65 billion at 31 March 2022 (31 December 2021: AED 12.06 billion). The value of shareholders' equity was at AED 7.25 billion as of 31 March 2022 compared to AED 7.18 billion as of 31 December 2021.

On behalf of the Board of Directors**Hamad A. Al Hammadi**

Chairman

9 May 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ARKAN BUILDING MATERIALS COMPANY (ARKAN) PJSC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Arkan Building Materials Company (ARKAN) PJSC (the “Company”) and its subsidiaries (together referred to as the “Group”) as at 31 March 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management of the Group is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34, “*Interim Financial Reporting (IAS 34)*”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information performed by the Independent Auditor of the Entity*”. A review of interim condensed consolidated financial information 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 International 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, “*Interim Financial Reporting*”.

Deloitte & Touche (M.E.)




Mohammad Khamees. Al Tah
Registration No. 717
9 May 2022
Abu Dhabi
United Arab Emirates

**Condensed consolidated statement of financial position
as at 31 March 2022**

	Notes	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,184,846	7,238,822
Goodwill		14,050	14,050
Right-of-use assets	13	443,869	450,944
Investment in associates	6	79,711	79,728
Investment property	7	13,796	13,973
Intangible assets	8	5,759	4,802
Total non-current assets		7,742,031	7,802,319
Current assets			
Inventories	9	2,072,978	2,288,793
Trade and other receivables	10	1,440,074	1,636,766
Amounts due from related parties	12	520	184
Cash and bank balances	11	391,403	335,588
Total current assets		3,904,975	4,261,331
Total assets		11,647,006	12,063,650
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		6,850,000	6,850,000
Statutory reserve		85,448	85,448
Merger reserve		1,092,817	1,092,817
Capital reserve		3,783	3,783
Other reserves		(2,297)	(2,297)
Accumulated losses		(778,057)	(850,642)
Net equity		7,251,694	7,179,109
Non-current liabilities			
Lease liabilities	13	478,983	479,833
Provision for employees' end of service benefit		220,256	217,075
Bank borrowings	14	269,490	269,901
Total non-current liabilities		968,729	966,809
Current liabilities			
Bank borrowings	14	1,990,858	2,353,547
Trade and other payables	15	1,402,644	1,514,826
Loan from a related party	12	18,361	18,361
Lease liabilities	13	14,720	30,998
Total current liabilities		3,426,583	3,917,732
Total liabilities		4,395,312	4,884,541
Total equity and liabilities		11,647,006	12,063,650

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 31 March 2022, and for the periods presented in the report.



Hamad A. Al Hammadi
Chairman



Saeed G. Al Remeithi
Director and Chief Executive Officer



Stephen J. Pope
Chief Financial Officer

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of profit or loss
for the three-month period ended 31 March 2022**

	Notes	Three-month period ended 31 March	
		2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Revenue		2,040,517	223,537
Direct costs		(1,867,750)	(192,220)
Gross profit		172,767	31,317
Selling and distribution expenses		(12,238)	(4,688)
General and administrative expenses		(77,788)	(18,223)
Other income	18	4,823	1,443
Share of (loss)/profit from associates	6	(17)	580
Finance costs		(15,055)	(9,220)
Finance income		93	12
Profit for the period		72,585	1,221
Basic and diluted earnings per share	19	0.011	0.001

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of comprehensive income
for the three-month period ended 31 March 2022**

	Three-month period ended 31 March	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Profit for the period	72,585	1,221
Other comprehensive income	-	-
Total comprehensive income for the period	72,585	1,221

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of changes in equity
for the three-month period ended 31 March 2022**

	Share capital AED'000	Statutory reserve AED'000	Merger reserve AED'000	Capital reserve AED'000	Other reserves AED'000	Accumulated losses AED'000	Total equity AED'000
As at 1 January 2021 (audited)	1,750,000	85,448	-	3,783	(9,089)	(106,010)	1,724,132
Total comprehensive income for the period	-	-	-	-	-	1,221	1,221
As at 31 March 2021 (unaudited)	1,750,000	85,448	-	3,783	(9,089)	(104,789)	1,725,353
As at 1 January 2022 (audited)	6,850,000	85,448	1,092,817	3,783	(2,297)	(850,642)	7,179,109
Total comprehensive income for the period	-	-	-	-	-	72,585	72,585
As at 31 March 2022 (unaudited)	6,850,000	85,448	1,092,817	3,783	(2,297)	(778,057)	7,251,694

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated statement of cash flows
for the three-month period ended 31 March 2022**

	Notes	Three-month period ended 31 March	
		2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Cash flows from operating activities			
Profit for the period		72,585	1,221
Adjustments for:			
Depreciation of property, plant and equipment	5	131,730	17,709
Amortisation of right-of-use assets	13	7,075	3,900
Amortisation of intangible assets	8	1,122	-
Depreciation of investment property	7	177	-
Amortisation of restructuring fee		-	140
Gain on disposal of property, plant and equipment		-	(1,081)
Impairment charge on trade receivables	10	1,569	3,552
Reversal of impairment of inventories, net	9	(10,955)	321
Provision for employees' end of service benefit		5,694	1,693
Share of loss/(profit) from associates	6	17	(580)
Finance costs		15,055	9,220
Finance income		(93)	(12)
Operating cash flows before movements in working capital		223,976	36,083
Movements in working capital:			
Decrease in inventories	9	226,770	37,947
Decrease in trade and other receivables	10	195,123	2,706
Increase in amounts due from related parties	12	(336)	(27)
Decrease in trade and other payables	15	(112,182)	(49,019)
Increase in amounts due to a related party		-	33
Cash generated from operations		533,351	27,723
End of service benefits paid		(2,513)	(1,486)
Net cash generated from operating activities		530,838	26,237
Cash flows from investing activities			
Payments for property, plant and equipment	5	(77,754)	(3,193)
Proceed from sale of property, plant and equipment		-	1,081
Payments for intangible assets	8	(2,079)	-
Term deposits with maturities exceeding three months	11	(110,175)	-
Interest received		93	12
Net cash used in investing activities		(189,915)	(2,100)
Cash flows from financing activities			
Proceeds from a new loan	14	1,086,231	222,169
Repayment of borrowings	14	(1,449,331)	(248,024)
Finance costs paid		(10,024)	(6,819)
Principal repayment of lease liability	13	(17,128)	(410)
Interest paid on lease liabilities	13	(5,031)	(2,401)
Net cash used in financing activities		(395,283)	(35,485)
Net decrease in cash and cash equivalents		(54,360)	(11,348)
Cash and cash equivalents at the beginning of the period	11	335,588	73,962
Cash and cash equivalents at the end of the period	11	281,228	62,614

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022**
1 General information

Arkan Building Materials Company (ARKAN) PJSC (“Arkan” or the “Company”) was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) as a Public Joint Stock Company pursuant to Ministerial Resolution No. 228 for the year 2006.

General Holding Corporation PJSC (SENAAT) (the “Parent Company”) owned 51% of the Company’s shares; this ownership interest was increased to 87.5% on 6 October 2021 as a result of the sale of its 100% interest in the issued share capital of Emirates Steel Industries PJSC to the Company for the issue of 5.1 billion additional ordinary shares. The Ultimate Parent Company of Arkan is Abu Dhabi Developmental Holding Company PJSC (ADQ) which is wholly owned by the Government of Abu Dhabi.

The principal activities of the Company include operating, trading and investing in industrial projects and commercial companies involved in the building materials and steel sectors.

These condensed consolidated interim financial statements include the performance and financial position of the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in associates.

The principal activity, country of incorporation and operation, and ownership interest of the Company in the subsidiaries is set out below:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest and voting held by the Group</u>		<u>Principal activity</u>
		31 March 2022	31 December 2021	
Emirates Steel Industries PJSC ¹	UAE	100%	100%	Production and sale of long-steel products
Emirates Blocks Factory	UAE	100%	100%	Production and sale of cement blocks.
Emirates Cement Factory ²	UAE	100%	100%	Production and sale of packed and bulk cement.
Al Ain Cement Factory	UAE	100%	100%	Production and sale of packed and bulk cement.
Anabeeb Pipes Manufacturing Factories	UAE	100%	100%	Production and sale of pipes, manufacturing pipes, plastic and paper bags.

¹ Emirates Steel Industries PJSC (“Emirates Steel”) was acquired on 6 October 2021 from a related party for the issue of 5,100,000,000 ordinary shares.

² The operations of Emirates Cement Factory were discontinued in December 2016 and currently the company is not operational.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)****2.1 New and amended standard adopted by the Group**

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group’s future transactions or arrangements.

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Reference to the Conceptual Framework – Amendments to IFRS 3*
The amendments replace a reference to a previous version of the IASB’s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)****2 Application of new and revised International Financial Reporting Standards (“IFRSs”)
(continued)****2.1 New and amended standard adopted by the Group (continued)**

- *IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities*
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.
- *IAS 41 Agriculture – Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

Other than the above, there are no other material IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2022.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

- *Classification of Liabilities as Current or Non-Current - amendments to IAS 1 (effective from 1 January 2023)*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture. (Effective date deferred indefinitely. Adoption is still permitted).
- *Annual Improvements to IFRS Standards 2018–2020 (effective from 1 January 2022)*. The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from January 1, 2022), IFRS 9 Financial Instruments (effective from 1 January 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from 1 January 2022).
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective from 1 January 2023)*. The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)****2 Application of new and revised International Financial Reporting Standards (“IFRSs”)
(continued)****2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)**

- *Definition of Accounting Estimates - Amendments to IAS 8 (effective from 1 January 2023)*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS12 (effective from 1 January 2023)*. The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS12.22A.
- *IFRS 17: Insurance Contracts (effective from 1 January 2023)*. IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at 1 January 2023.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards and amendments are not expected to have a material impact on the consolidated financial statements of the Group in the period of initial application.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the condensed consolidated financial information of the Group.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)****3 Summary of significant accounting policies****Statement of compliance**

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E. They do not include all the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021. In addition, results for three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

Basis of preparation

These condensed consolidated interim financial statements are presented in UAE Dirhams (AED) which is the functional currency of the Group and all values are rounded to the nearest thousand (AED’000) except when otherwise indicated.

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those in the audited annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective 1 January 2022.

Going concern

Based on the Group’s existing cash position, the funds available from undrawn facilities which amounted to AED 1,047.6 million at the reporting date and the free cash flow expected to be generated from operations, funds will be sufficient for the Group to meet its obligations as they fall due for a period of at least 12 months from the date of these condensed consolidated interim financial statements.

Accordingly, and taking into consideration the impact of COVID-19 to the Group’s future cash flows, these condensed consolidated interim financial statements have been prepared on a going concern basis.

4 Critical judgements and key sources of estimation uncertainty**Changes in judgements and estimation uncertainty**

The critical judgements and estimates used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**

5 Property, plant and equipment

During the three-month period ended 31 March 2022, the Group acquired assets with a cost of AED 77,754 thousand (31 March 2021: AED 3,193 thousand). The property, plant and equipment of Al Ain Cement Factory, with a net carrying value of AED 967 million, have been pledged against a loan received from a consortium of banks for the construction of the factory. No assets were disposed of during the period (2021: disposals with cost of AED 11,975 thousand and a net carrying value of AED nil with net proceeds from the sale amounting to AED nil).

The depreciation charge for the period amounted to AED 131,730 thousand (31 March 2021: AED 17,709 thousand).

6 Investment in associates

The movement in investment in associates is as follows:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Balance at the beginning of the period/year	79,728	153,649
Share of loss of associates for the period/year	(17)	(22,721)
Dividends received during the period/year	-	(1,200)
Impairment during the period/year	-	(50,000)
Balance at the end of the period/year	79,711	79,728

7 Investment property

No acquisitions or disposals were made to the Group's investment properties in the three-month period ended 31 March 2022 (31 March 2021: none). The depreciation charge for the period amounted to AED 177 thousand (31 March 2021: AED nil).

8 Intangible assets

During the three-month period ended 31 March 2022, the Group acquired intangible assets with a cost of AED 2,079 thousand (31 March 2021: AED nil). The amortisation charge for the period amounted to AED 1,122 thousand (31 March 2021: AED nil).

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**

9 Inventories

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Finished goods and by-products	657,301	725,552
Semi-finished products: steel billets and direct reduced iron	333,694	487,148
Raw materials	556,751	500,375
Goods in transit	95,168	159,725
Spare parts and consumables	533,330	530,214
	<hr/>	<hr/>
	2,176,244	2,403,014
Less: allowance for impairment of inventories	(103,266)	(114,221)
	<hr/>	<hr/>
	2,072,978	2,288,793
	<hr/> <hr/>	<hr/> <hr/>

The movement in the allowance for impairment of inventories is as follows:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Balance at the beginning of the period/year	114,221	54,942
Acquisition of Emirates Steel	-	51,017
Reversal for the period/year	(11,692)	-
Impairment during the period/year	737	8,262
	<hr/>	<hr/>
Balance at the end of the period/year	103,266	114,221
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)

10 Trade and other receivables

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Trade receivables	84,745	84,745
Less: loss allowance	(84,745)	(84,745)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Current portion		
Trade receivables	1,439,496	1,329,695
Less: loss allowance	(151,266)	(149,697)
	<hr/>	<hr/>
	1,288,230	1,179,998
Prepayments	17,925	31,953
Advances to suppliers	105,883	144,241
Other receivables	28,036	280,574
	<hr/>	<hr/>
	1,440,074	1,636,766
	<hr/> <hr/>	<hr/> <hr/>

The following table shows the movement in loss allowance:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Balance as at 1 January	234,442	130,789
Acquisition of Emirates Steel	-	160,151
Net remeasurement of loss allowance	1,569	27,578
Bad debts written-off	-	(84,076)
	<hr/>	<hr/>
Balance at the end of the period/year	236,011	234,442
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**

11 Cash and bank balances

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Cash in hand	381	386
Cash at banks in current accounts	280,847	335,202
	<hr/>	<hr/>
Cash and cash equivalents	281,228	335,588
Bank deposits with maturities exceeding three months	110,175	-
	<hr/>	<hr/>
Cash and bank balances	391,403	335,588
	<hr/> <hr/>	<hr/> <hr/>

Interest rates on the term deposits held ranged from 0.40% - 0.49% per annum (2021: AED nil).

12 Related parties

In the ordinary course of business, the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24 (IAS 24). Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Government of Abu Dhabi indirectly owns 87.5% (31 December 2021: 87.5%) of the Company's outstanding shares. The Group has elected to use the exemption under IAS 24 for government related entities on disclosing transactions and related outstanding balances with government related entities owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and controls. The Group's significant transactions with the Government of Abu Dhabi and other entities controlled, jointly controlled or significantly influenced by the Government of Abu Dhabi are a large portion of its direct cost, lease rental payments and interest payments on certain loans.

The Group also has, at 31 March 2022, loans and cash balances with banks under the common control of the Government of Abu Dhabi, lease liabilities with and payables to Government municipalities and payables to a distribution company owned by the Government of Abu Dhabi.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**

12 Related parties (continued)

Balances with these related parties generally arise from commercial transactions in the normal course of business on arm's length basis. Balances with related parties reflected in the condensed consolidated statement of financial position at the reporting date comprised:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Amounts due from related parties		
Silal Food and Technology LLC	274	-
National Petroleum (NPCC) - sister company	213	151
Others	33	33
	<hr/>	<hr/>
	520	184
	<hr/>	<hr/>
Loan from a related party - the Parent Company		
General Holding Corporation PJSC (SENAAT)	18,361	18,361
	<hr/>	<hr/>

Significant transactions with related parties during the period are as follows:

	Three-month period ended 31 March	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Interest on loan from the Parent Company	106	108
	<hr/>	<hr/>
Sales to a related party - Emirates Steel Industries PJSC, sister concern	-	741
	<hr/>	<hr/>
Purchases from related parties–		
- Emirates Steel Industries PJSC, sister concern	-	51
- Agthia PJSC, sister concern	87	-
	<hr/>	<hr/>
<i>Key management compensation</i>		
- Short term benefits	3,524	1,608
- Post-employment benefits	306	173
	<hr/>	<hr/>
	3,830	1,781
	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**
13 Leases

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

Right-of-use assets

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
As at 1 January	450,944	233,097
Acquisition of Emirates Steel	-	295,455
Disposals/remeasurement	-	(12,179)
Amortisation expense during the period/year	(7,075)	(20,952)
Impairment	-	(44,477)
	<hr/> 443,869 <hr/>	<hr/> 450,944 <hr/>

Lease liabilities

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
As at 1 January	510,831	149,840
Acquisition of Emirates Steel	-	376,291
Disposals	-	(13,234)
Accretion of interest	5,031	12,113
Payments	(22,159)	(14,179)
	<hr/> 493,703 <hr/>	<hr/> 510,831 <hr/>

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
<i>Current</i>		
Within one year	<hr/> 14,720 <hr/>	<hr/> 30,998 <hr/>
<i>Non-current</i>		
After one year	<hr/> 478,983 <hr/>	<hr/> 479,833 <hr/>

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**
14 Bank borrowings

Bank borrowings are contractually repayable as follows:

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
<i>Non-current</i>		
After one year	269,490	269,901
<i>Current</i>		
Within one year	1,990,858	2,353,547

The details of the bank borrowings are stated as follows:

	Maturity	Outstanding at 31 March 2022			Outstanding at 31 December 2021		
		Current AED'000	Non- current AED'000	Total AED'000	Current AED'000	Non- current AED'000	Total AED'000
Arkan							
Term loan 1	2024	266,667	268,667	535,334	266,667	268,667	535,334
Term loan 2	2023	1,644	823	2,467	1,644	1,234	2,878
Short term loan 1	2020	110,000	-	110,000	110,000	-	110,000
Short term loan 2	2020	103,125	-	103,125	118,683	-	118,683
Short term loan 3	2020	69,330	-	69,330	70,827	-	70,827
Short term loan 4	2020	17,500	-	17,500	10,000	-	10,000
Emirates Steel							
Term loan	2022	183,625	-	183,625	183,625	-	183,625
Working capital facilities	2022	1,238,967	-	1,238,967	1,592,101	-	1,592,101
		1,990,858	269,490	2,260,348	2,353,547	269,901	2,623,448

Arkan

Term loan 1 is a 10-year term loan of AED 1,200 million obtained in 2014 by the Group to finance the construction of the Group's new cement factory. The term loan is payable over 9 years semi-annually commencing from March 2016. The loan carries variable interest at EIBOR plus 2.6%. The term loan is secured by assets with a carrying amount of AED 967 million (2021: AED 975million) (note 5). Subsequent to the 2020-year end, the Group entered into an agreement with its Term Loan 1 lenders for a repayment holiday up to 17 December 2022.

Term loan 2 of AED 14.8 million was obtained from a commercial bank for financing the cost of the new office of the Group. The loan is repayable in 36 equal quarterly installments from November 2014 and carries variable interest at three-month EIBOR plus 3.0%.

Short term loan 1 with facility amount of AED 150 million was obtained from an Islamic bank for financing the working capital of the Group. The loan is repayable in 180 days and carries variable interest at three-month EIBOR plus 1.5%.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**

14 Bank borrowings (continued)

Arkan (continued)

Short term loan 2 of AED 150 million was obtained from Islamic bank for financing the working capital of the Company. The loan is repayable in 180 days and carries variable interest at EIBOR plus 1.5%.

Short term loan 3 with facility amount of AED 100 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 180 days carries variable interest at EIBOR plus 1.5%.

Short term loan 4 with facility amount of AED 50 million was obtained from a commercial bank for financing the working capital of the Group. The loan is repayable in 90 days carries variable interest at EIBOR plus 1.5%.

Emirates Steel

The term loan was established in November 2018, being a USD 400 million (AED 1,469 million) Commodity Murabaha with a tenor of four years and a profit rate of 0.85% over LIBOR. Repayments are due on a straight-line basis every six-months, each repayment being in an amount of USD 50 million (AED 183.63 million). The facility is unsecured and is subject to a limited guarantee from SENAAT relating to the availability of gas and electricity.

Working capital balances relate to facilities extended by two local banks to finance the purchases of certain raw materials and spare parts. These facilities mature within one year and carry effective interest rates of 0.60-0.65% over LIBOR. These short-term loans are revolving loans facilities.

Changes from financing cash flows related to borrowings

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Balance at the beginning of the period/year	2,623,448	933,005
Acquisition of Emirates Steel	-	2,384,949
Settlement of term loans	(411)	(185,269)
Settlement of short-term loans	(1,448,920)	(1,776,786)
Proceeds from short term loans	1,086,231	1,272,680
Interest paid	(10,024)	(31,944)
Restructuring fee payable	-	1,334
	<hr/>	<hr/>
Total changes from financing cash flows	(373,124)	1,664,964
	<hr/>	<hr/>
Other changes/liability related		
Interest expense	15,055	35,110
Changes in accruals	(5,031)	(9,631)
	<hr/>	<hr/>
Total liability related to other changes	10,024	25,479
	<hr/>	<hr/>
Balance at the end of the period/year	2,260,348	2,623,448
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)

15 Trade and other payables

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Trade payables	1,056,791	1,177,315
Accruals	226,659	268,117
VAT payable	16,131	13,286
Interest payable	5,500	2,918
Other payables	97,563	53,190
	<u>1,402,644</u>	<u>1,514,826</u>

16 Contingencies and commitments

	31 March 2022 AED'000 (unaudited)	31 December 2021 AED'000 (audited)
Bank guarantees and letters of credit	72,821	224,386
Capital commitments	4,059	12,355
Financial guarantees provided to associates	61,600	61,600

The above bank guarantees and letters of credit were issued in the normal course of business.

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)****17 Segment reporting**

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technologies and marketing strategies. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis.

Previously the Group was managed under five reportable segments. Following the acquisition of Emirates Steel, however, this has been rationalized to three segments. This reflects the quantum of Emirates Steel, with a number of the smaller business units having been consolidated for management control purposes.

The following summary describes the operations in each of the Group's reportable segments:

- Steel - the manufacture and distribution of long-steel products;
- Cement and Blocks - the production and sale of cement and concrete blocks;
- Other - including the production and distribution of glass reinforced polyester ("GRP") pipes; poly-vinyl chloride ("PVC") pipes; and bags.

Information regarding the results of each reportable segment is included below. Performance is measured on segment profit as included in the internal management reports that are reviewed by the Group's CEO and Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)

17 Segment reporting (continued)

	Steel AED'000	Cement and Blocks AED'000	Pipes and others AED'000	Eliminations AED'000	Group AED'000
For the period ended 31 March 2022 (unaudited):					
External revenues	1,814,412	183,211	42,894	-	2,040,517
Intersegment revenue	155	507	2,308	(2,970)	-
<i>Timing of revenue recognition</i>					
At a point in time	1,814,412	183,211	42,894	-	2,040,517
Over time	-	-	-	-	-
Interest expense	6,501	8,310	244	-	15,055
Depreciation and amortization	123,912	12,818	3,374	-	140,104
Share of loss of equity accounted investees	-	-	(17)	-	(17)
Profit/(loss) for the period	61,075	15,779	(4,269)	-	72,585
Total assets	9,342,444	1,813,788	490,774	-	11,647,006
Total liabilities	(3,037,252)	(1,300,776)	(57,284)	-	4,395,312

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**

17 Segment reporting (continued)

	Steel AED'000	Cement and Blocks AED'000	Pipes and others AED'000	Eliminations AED'000	Group AED'000
For the period ended 31 March 2021 (unaudited):					
External revenues	-	184,441	39,096	-	223,537
Intersegment revenue	-	8,152	2,011	(10,163)	-
<i>Timing of revenue recognition</i>					
At a point in time	-	184,441	39,096	-	223,537
Over time	-	-	-	-	-
Interest expense	-	9,181	39	-	9,220
Depreciation and amortization	-	18,054	3,555	-	21,609
Share of loss of equity accounted investees	-	-	580	-	580
Profit/(loss) for the period	-	2,601	(1,380)	-	1,221
For the year ended 31 December 2021:					
Total assets	9,764,649	1,860,666	438,334	-	12,063,650
Total liabilities	(3,520,532)	(1,284,961)	(79,045)	-	(4,884,541)

Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)

18 Other income

	Three-month period ended 31 March	
	2022 AED'000 (unaudited)	2021 AED'000 (unaudited)
Foreign exchange gains	4,580	-
Proceeds from sale of scrap	-	1,443
Other	243	-
	4,823	1,443
	4,823	1,443

19 Basic and diluted earnings per share

The following reflects the profit and shares data used in computations of earnings per share:

	Three-month period ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Profit for the period (AED'000)	72,585	1,221
Weighted average number of shares in issue (thousands of shares)	6,850,000	1,750,000
Earnings per share (AED)	0.011	0.001

There were no potentially dilutive securities as at 31 March 2022 or at 2021 and, accordingly, diluted earnings per share is equivalent to the basic earnings per share.

20 Reclassification of comparative figures

Comparative figures have been restated for the classification of the following line items in the condensed consolidated statement of profit or loss to conform with current period presentation.

	As previously reported AED'000	Reclassification AED'000	As reclassified AED'000
Condensed consolidated statement of profit or loss			
Direct costs	(191,899)	(321)	(192,220)
Impairment losses on non-financial assets	(321)	321	-

**Notes to the condensed consolidated interim financial statements
for the three-month period ended 31 March 2022 (continued)**

20 Reclassification of comparative figures (continued)

	As previously reported AED'000	Reclassification AED'000	As reclassified AED'000
Condensed consolidated statement of profit or loss (continued)			
General and administrative expenses	(14,671)	(3,552)	(18,223)
Impairment losses on financial assets	(3,552)	3,552	-

The above reclassification had no effect on the profit reported in the condensed statement of profit or loss for the period ended 31 March 2021.

21 Seasonality of results and the Russia-Ukraine conflict

No significant income of a seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the three-month periods ended 31 March 2022 and 2021.

The current Russia-Ukraine conflict has not had a material impact on the Group's supply chain; whilst certain volumes of iron ore feedstock have, in the past, been sourced from Russia, together with certain consumable materials, alternate lines of supply have been established to replace such materials. It is further noted that the Group has no significant customers based in the CIS region.

Whilst the crisis has impacted global commodity prices, the Group has recovered the cost increases incurred in increased sales prices.

22 Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 9 May 2022.