



Umm Al-Qura Cement Company announces its entry into an implementation agreement with City Cement Company in relation to a securities exchange transaction between the two companies

1. Introduction

With reference to the announcement made by Umm Al-Qura Cement Company (“UACC”) on the Saudi Exchange website on 12/04/1444H (corresponding to 06/11/2022G) about its entry into a nonbinding memorandum of understanding, UACC's supplementary announcement on the Saudi Exchange website on 06/10/1444H (Corresponding to 26/04/2023G) on the extension of a non-binding memorandum of understanding in relation to the securities exchange transaction with City Cement Company (“CCC” or the “Company”), UACC's supplementary announcement on the Saudi Exchange website on 07/04/1445H (Corresponding to 22/10/2023G) on the extension of a non-binding memorandum of understanding in relation to the securities exchange transaction with CCC. (CCC and UACC are referred to collectively as the “Parties” or “Companies” and individually as the “Party”) relating to a potential securities exchange transaction and including a nonbinding agreement on the structure, UACC is pleased to announce its entry into an acquisition implementation agreement with CCC on Thursday 21/04/1446H (corresponding to 24/10/2024G) (the “Implementation Agreement”) pursuant to which CCC has agreed to make an offer to UACC shareholders to acquire all shares of UACC in consideration for newly issued shares in CCC pursuant to Article (26) of the Merger and Acquisition Regulations and in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority (the “CMA”), and in accordance with the conditions and provisions of the Implementation Agreement (the “Transaction”).

Pursuant to the terms of the Implementation Agreement, the Transaction will be implemented through CCC's acquisition of all of UACC's shares, which are (55,000,000) shares with nominal value of (10) SAR per share, through a securities exchange offer in consideration for CCC's issuance of (61,163,536) new ordinary shares with nominal value of (10) SAR each for UACC's shareholders (the “Consideration Shares”), through CCC's increase of its capital from (1,400,000,000) SAR to (2,011,635,360) SAR and the increase of CCC's shares from (140,000,000) shares to (201,163,536) shares, consequently increasing CCC's capital by (43,69%) from its current capital.

After completion, UACC's shareholders, who are registered in UACC's shareholders' register at the end of the second trading day after the date of the approval of the Extraordinary General Assembly relating to the Transaction of both Companies, will receive (1,11) Consideration Share in CCC in return for every share they own in UACC (the “Exchange Ratio”) and UACC's shares will delist from the Saudi Exchange and UACC will be a wholly owned subsidiary of CCC.

Based on the Exchange Ratio and the closing price of CCC share of (18.04) SAR as of 21/04/1446H (corresponding to 24/10/2024G) (the last trading day prior to the date of publication of this announcement), the valuation of the share price of UACC for the purposes of the Transaction is (20.06) SAR and the valuation of the total value of UACC shares for the purposes of the Transaction is (1,103,390,189,44). This valuation represents an increase in the share price of UACC by (23.08%) compared to the closing share price of UACC of (16.30) SAR on the Saudi Exchange on 21/04/1446H (corresponding to 24/10/2024G) (the last trading day prior to the date of publication of this announcement).

The above valuation represents an increase in the share price of UACC by (26.16%) compared to the unaffected closing share price of CCC and UACC in the Saudi Exchange of (20.85) SAR for CCC and (18.14) SAR for UACC by closing on Thursday 09/04/1444H (corresponding to 03/11/2022G), (which is the last trading day prior to the Company's announcement in respect of signing a non-binding memorandum of understanding in relation to the Transaction on 12/04/1444H (corresponding to 06/11/2022G).

Upon Transaction completion, UACC's shareholders will own (30,40%) of CCC's capital after the capital increase. Al Abdullatif Holding Group Company is a related party and will continue to be the sole large shareholder in CCC (with an ownership ratio of (19.7%) upon completion of the Transaction). CCC upon completing regulatory approvals will publish the Offer Document with all Transaction details. UACC's Board will issue the Shareholders' Circular soon after.

In the event that the calculation of the number of shares due to UACC's shareholders - based on the Exchange Ratio - resulted in fractional shares, such fractional shares will be dealt with in accordance with the mechanism that will be specified in the Offer Document published at a later stage.

The members of the board of directors of UACC believe the Transaction is in the best interest of UACC and its shareholders, after having carried out due diligence – along with their advisers – they believe appropriate under the circumstances, and after considering the market condition at the time of the Implementation Agreement, and potential growth opportunities for UACC and CCC and the expected synergies and benefits of the Transaction.

There will be no immediate change in both Companies' businesses as a result of this announcement. Both Companies will remain independent and separate, and both will continue to operate on a business-as-usual basis.

Completion of the Transaction is not guaranteed and is subject to a number of conditions and approvals, including the publication of a firm intention announcement by CCC, and regulatory and shareholders' approvals. The Implementation Agreement further prescribes the events on which the Implementation Agreement might be terminated, and the Transaction halted. The conditions for the Transaction and termination events are further explained in Section (3) of this announcement.

2. Transaction Rational

This section contains the views of UACC on the expected benefits resulting from the Transaction. It also contains forward-looking statements, which are subject to risks and uncertainties, and hence reliance should not be placed on such statements. The Offer Document which will be published at a later stage by CCC to UACC shareholders must be reviewed, which will include details on the Transaction, in addition to UACC's Board Circular which will be published at a later stage as well which shall include details on the risks relating to the Transaction and other related information. It is worth noting that the expectations included in this section are initial expectations, and there is no intention of updating them other than what is required by relevant laws and regulations.

Nothing contained in this announcement is intended to be or shall be deemed to be a forecast, projection or estimate of the future financial or operational performance of UACC, CCC or the market, and no statement in this announcement should be interpreted to mean that earnings per share for current or future financial periods of CCC post- Transaction would necessarily match or exceed historical earnings per share of UACC or CCC shares.

The Transaction is expected to create a leading cement company in the Kingdom of Saudi Arabia, as CCC and UACC are expected to achieve high integration together through expanding operations, growing the customer base, increasing the volume of investments and benefiting from the integration of expertise in the local market, as the combined market share of both Companies reached 8.9% of domestic sales in the first half of 2024, making the merged Company among the top five companies in terms of market share. The merged Company will benefit from the markets of the central and western regions, which are witnessing major construction and infrastructure projects by the public and private sectors, which enhances competitiveness. The Company will provide the market with several high-quality products covering a wide range of construction applications. This maximises the benefit for the markets, the Company's shareholders and the cement industry in the Kingdom in general. After the acquisition, CCC is expected to be in an ideal position to support the Saudi economy and play a leading role in achieving the Kingdom's Vision 2030, in addition to being one of the most prominent stakeholders in supporting and implementing major projects in the Kingdom of Saudi Arabia. The following is a summary of the most important drivers and expected benefits of the deal:

- **Substantial Presence and Flexibility in Markets:**

The Company will have a greater presence in markets, which will enhance its ability to negotiate with suppliers and customers and improve its marketing and distribution channels. It will also achieve operational integration and flexibility in the face of economic fluctuations and fluctuations in demand and input costs, ensuring the stability of commercial and operational activities.

- **Operational Excellence and Profitability:**

The exchange of expertise between the Companies will enhance their technical base and competitive advantage, improving the quality of the offered products and the operational efficiency of manufacturing facilities. It will also enhance the Company's returns and profit margins for the benefit of shareholders. In addition, it will achieve optimal use of resources, improve production capacities, achieve economies of scale, and reduce production costs per unit.

- **Optimisation of Costs:**

The Companies will integrate common administrative, commercial, financial, logistical, and operational processes. They will also employ City Cement's capabilities and expertise in automating operations and applying the latest Enterprise resource planning systems to raise productivity and operational efficiency, reduce costs, and improve returns.

- **Sustainability and Energy Transition:**

CCC, a pioneer in implementing best practices in environmental and energy sustainability, will aim to achieve a successful energy transition and carbon neutrality in line with Saudi Vision 2030. This transformation will enhance the Company's readiness to avoid future energy cost inflation and environmental challenges.

- **Improved Financial Position:**

The larger Company will have better financing capabilities and optimal capital utilization in future expansion and modernization projects, improving its overall financial position and increasing investor confidence.

3. Key Terms of the Transaction according to the Implementation Agreement

3.1 Conditions of the Implementation Agreement

The Transaction completion is subject to a number of conditions, which are summarized as follows:

1. Obtaining all required approvals of the CMA with respect to the Transaction.
2. Obtaining the approval of the CMA on the increase of CCC's capital and listing of the new shares on the Saudi Exchange in relation to the Transaction, and obtaining any other approvals which the Saudi Exchange may require with respect to the Transaction.
3. Delivery of any required notification to Securities Depository Center Company (Edaa) with respect to the Transaction.
4. Obtaining a non-objection from the General Authority for Competition with respect to the Transaction, or the expiration of the applicable waiting periods under the Competition Law and its implementing regulation.
5. Obtaining a non-objection from the Ministry of Commerce in respect of the amendments to the bylaws of CCC.
6. Obtaining the approval from the CMA to publish the shareholder's circular and the offer document in relation to the Transaction.
7. Obtaining the CMA's approval for the Extraordinary General Assembly meeting of CCC in relation to the Transaction.
8. Obtaining the CMA's approval for the Extraordinary General Assembly meeting of UACC in relation to the Transaction.

9. Obtaining the approval of 75% of the voting rights represented at the Extraordinary General Assembly meeting of CCC in relation to the Transaction.
10. Obtaining the approval of 75% of the voting rights represented at the Extraordinary General Assembly meeting of UACC in relation to the Transaction.
11. Publication of the announcement of the results of the Extraordinary General Assembly Meeting of CCC in relation to the Transaction.
12. Publication of the announcement of the results of the Extraordinary General Assembly Meeting of UACC in relation to the Transaction.
13. No event, change or set of events or changes that have, or are reasonably expected to have, a Material Adverse Event impact on the business, assets, liabilities, financial or profit situation or future expectations of either Party or on the Transaction or its implementation.
14. No breach of specific warranties provided by each CCC and UACC have occurred, unless such breach is capable of remedy and has been remedied to the reasonable satisfaction of the non-breaching Party as stated in the Implementation Agreement.
15. No decision, order, instruction, judgement or decree from any government entity or authority in the Kingdom makes the completion of the Transaction illegal.
16. Obtaining the approval of a number of contractual counterparties of both Companies as outlined in the Implementation Agreement.

3.2 Restrictions on Business Conduct

The Implementation Agreement imposes an obligation on both Companies to maintain the normal course of business. In addition to the obligation on UACC to refrain from taking any act that may violate certain restrictions stipulated in the Implementation Agreement (which are subject to certain exceptions and limitations) that relate to the conduct of business for the period between signing of the Implementation Agreement and until completion of the Transaction or the termination of the Implementation Agreement, except with the prior approval of CCC.

If UACC breaches any of these restrictions, then CCC has the right to consider the breach of a Material Adverse Event and terminate the Implementation Agreement based on a notice to UACC.

3.3 Termination of the Implementation Agreement

The Implementation Agreement terminates with immediate effect, and the rights and obligations of both Parties under it cease (with certain surviving provisions such as confidentiality, applicable law, and dispute resolution) upon the occurrence of a number of events, including:

1. If the Parties agree to terminate the Implementation Agreement in writing.
2. If the Transaction's conditions are not satisfied or waived before the end of one year from the date of the Implementation Agreement (or any other date agreed in writing).
3. A written notice provided by either party to terminate the Implementation Agreement to the other party in the event of a breach by one party of any of the provisions of the Implementation Agreement resulting in Material Adverse Event in this context include a violation of the restrictions on the business conduct specified in the Implementation Agreement without the consent of CCC,

breach of the guarantees provided or breach of the obligations contained in the Implementation Agreement to prepare and submit the documents required under the relevant regulations and to provide all the information required to enable the other party to prepare those documents.

4. Related Parties

The Transaction involves a related party, as Al Abdullatif Holding Group Company is a related party according to the Merger and Acquisition Regulation as of the date of this announcement, where it owns (24.53%) of CCC's capital. It is worth noting that Al Abdullatif Holding Group Company also owns (8.7%) of UACC's capital.

5. Status of the Transaction and Next Steps

CCC's simultaneous announcement regarding the Implementation Agreement signing is not meant to be a firm intention announcement for the purposes of the Merger and Acquisition Regulations issued by the CMA's board, as the firm intention announcement issuance is subject to certain conditions in the Implementation Agreement relating to coordination with certain regulators to confirm certain approval requirements. The firm intention announcement will be made at a later date following the fulfilment of such conditions.

In addition, both Companies will commence working to satisfy the conditions required to complete the Transaction, including obtaining the relevant regulatory approvals. After obtaining the necessary regulatory approvals, UACC will issue a Board circular addressed to its shareholders which will include the view of UACC's Board of Directors on the Transaction. CCC will also publish an offer document to the shareholders of UACC which will set out specific information relating to the Transaction. UACC's shareholders must carefully review the Board circular and the Offer Document before making any decision in relation to how to vote on the Transaction. Both Companies agreed to thereafter call their respective Extraordinary General Assemblies to vote on the Transaction.

Completion of the Transaction is not guaranteed and is subject to a number of conditions and approvals, including the publication of a firm intention announcement by CCC, and regulatory and shareholders' approvals. CCC will make further announcements as and when material developments occur in relation to the Transaction in accordance with the applicable rules and regulations.

UACC has appointed BSF Capital as its financial adviser in relation to the Transaction, and appointed SuhailPartners LLP as its legal adviser in relation to the Transaction.

Legal Adviser

Financial Adviser

SuhailPartners LLP

BSF Capital

Disclaimer

This is an unofficial English translation. In case of discrepancy, the Arabic announcement shall prevail. The announcement shall not be relied on separately from the Firm Intention Announcement, Shareholders' Circular and Offer Document to be issued later, and such documents shall be read in full and in detail to be aware of all details and risks of the Transaction.

It should be noted that this announcement should not be interpreted as an offering or invite to buy, subscribe or purchase, any securities including the CCC's Consideration Shares in relation to the Transaction in any jurisdiction. This announcement does not constitute an offer document, prospectus, shareholder circular or an equivalent document in any jurisdiction. This announcement may be restricted pursuant to relevant regulations in some jurisdictions. The person receiving this announcement is responsible for knowing and adhering to such restrictions.

The implications of the Transaction for persons resident in, or citizens of, jurisdictions outside of the Kingdom of Saudi Arabia may be affected by the laws of such jurisdictions. The ability to participate in voting for the Transaction for persons not resident in the Kingdom of Saudi Arabia may be affected by the laws of such jurisdictions. Such persons should inform themselves of and observe any applicable requirements.

Some numbers are rounded to the nearest decimal, and therefore calculating the same might not result in the same totals appearing. The aggregated financial information included in this announcement are preliminary and might not match the pro forma financial information included in the offer document or the shareholders' circular prepared in connection with the Transaction; these differences will arise as a result of various factors and adjustments.

No profit forecasts or estimates

Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per CCC or UACC share for the current or future financial years after completion of the Transaction will necessarily match or exceed the historical earnings per CCC share or UACC share.

Forward Looking Statements

This announcement, information contained in it, and other statements made regarding the Transaction, and other information published by UACC and CCC might contain statements which are, or may be deemed to be, "forward-looking statements". All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on assumptions, expectations, valuations, targets, estimates,

forecasts and projections of UACC and CCC about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements are contingent on several matters, including the possible effect of the Transaction on UACC and CCC or CCC after the completion of the Transaction and other relevant contingencies, which will be included in more details in UACC's Board circular which will be published at a later time.

Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "budget", "targets", "aims", "scheduled", "estimates", "forecast", "intends", "anticipates", "seeks", "prospects", "potential", "possible", "assume" or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved, or negative statements of the same. UACC and CCC can give no assurance that such statement will prove to be correct. By their nature, forward-looking statements involve risks (known and unknown) and uncertainties (and other factors that are in many cases beyond the control of UACC or CCC) because they relate to events and depend on circumstances that may or may not occur in the future.

There are a number of factors that could affect the future operations of UACC, CCC and/or both after the completion of the Transaction and that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction (or, where permitted, waiver) of the conditions to the Transaction, as well as additional factors, such as: domestic and global business and economic conditions; market related risks such as fluctuations in interest rates and exchange rates, industry trends, competition, changes in regulation, changes in the policies and actions of governments and/or regulatory authorities (including changes related to taxation), changes in political and economic stability, disruption in business operations due to reorganisation activities (if applicable), interest rate, inflation, deflation and currency fluctuations, the timing impact and other uncertainties of future or planned acquisitions or disposals or offers, the inability of CCC post-completion to realise successfully any anticipated synergy benefits when the Transaction is implemented, or difficulties relating to the Transaction when the Transaction is implemented. Other unknown or unpredictable factors could affect future operations and/or cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors and must not be relied upon.

Each forward-looking statement speaks only as of the date of this announcement. Neither UACC nor its affiliates or any of their respective directors, managers, employees or advisors, provides any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Forward looking statements involve inherent risks and uncertainties. All forward-looking statements contained in this announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers must therefore not rely on these forward-looking statements. Other than in accordance with their legal or regulatory obligations, UACC is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, provided that it is not required by law.

BSF Capital is acting as an exclusive financial adviser to UACC in relation to the Transaction. BSF Capital is not liable to any party except UACC in relation to providing consultation in relation to this Transaction,

in accordance with the terms of the engagement concluded between them and the applicable laws and regulation. BSF Capital is licensed by the Capital Market Authority with license number (11153-37) to carry out securities business.