

**SAUDI PAPER MANUFACTURING COMPANY
AND SUBSIDIARIES
(A Saudi Joint Stock Company)**

**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AND AUDITOR'S REPORT
(LIMITED REVIEW) FOR THE THREE MONTHS
AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 2016**

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITOR'S
REPORT (LIMITED REVIEW)**
**FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 2016**

INDEX	Pages
Auditor's report (limited review)	2
Consolidated interim balance sheet	3
Consolidated interim statement of income	4
Consolidated interim statement of cash flows	5
Notes to the consolidated interim financial statements	6 - 13

**AUDITOR'S REPORT (LIMITED REVIEW)
ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the Stockholders of
Saudi Paper Manufacturing Company
(A Saudi Joint Stock Company)

Scope of limited review

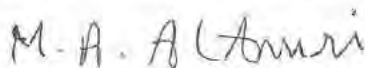
We have reviewed the consolidated interim balance sheet of Saudi Paper Manufacturing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2016 and the consolidated interim statement of income for the three months and nine months periods ended September 30, 2016, and the consolidated interim statement of cash flows for the nine months period then ended and the related notes from 1 to 9 which form an integral part of these consolidated interim financial statements. These consolidated interim financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review of consolidated interim financial statements consists principally of applying analytical procedures to financial data and making inquiries from persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Limited review results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.



Dr. Mohamed A. Al-Amri
Certified Public Accountant
Registration No. 60



October 19, 2016 (G)
Muharram 18, 1438 (H)

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED INTERIM BALANCE SHEET
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	SEPTEMBER 30, 2016 (Unaudited)	SEPTEMBER 30, 2015 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		2,527,158	72,499,142
Accounts receivable		264,961,660	281,995,559
Inventories	1	153,855,779	231,495,723
Available-for-sale investments		3,259,865	3,259,865
Prepayments and other receivable	3	159,418,339	132,466,857
		<u>584,022,801</u>	<u>721,717,146</u>
Non-current assets			
Investment in an associate		14,794,050	14,533,391
Property, plant and equipment	1	953,654,314	1,004,641,269
Intangible assets		25,699,889	17,472,497
		<u>994,148,253</u>	<u>1,036,647,157</u>
TOTAL ASSETS		<u>1,578,171,054</u>	<u>1,758,364,303</u>
LIABILITIES			
Current liabilities			
Short-term borrowings	4	145,979,834	276,836,672
Liabilities against letter of credit refinancing facilities		100,019,478	152,837,013
Current maturity of long-term borrowings		74,266,981	46,186,549
Accounts payable		130,427,468	130,193,524
Accrued and other liabilities		95,404,310	86,217,645
Zakat payable		7,741,740	6,816,734
		<u>553,839,811</u>	<u>699,088,137</u>
Non-current liabilities			
Long-term borrowings	4	503,084,718	422,934,263
Employee termination benefits		20,653,550	23,648,887
Other non-current liabilities		-	19,952,303
		<u>523,738,268</u>	<u>466,535,453</u>
TOTAL LIABILITIES		<u>1,077,578,079</u>	<u>1,165,623,590</u>
EQUITY			
Equity attributable to stockholders of the Company:			
Share capital		450,000,000	450,000,000
Statutory reserve		66,248,858	66,248,858
(Accumulated losses)/retained earnings		(17,150,301)	73,342,154
Currency translation adjustments		(4,180,249)	(1,874,708)
Total stockholders' equity		<u>494,918,308</u>	<u>587,716,304</u>
Non-controlling interest		5,674,667	5,024,409
TOTAL EQUITY		<u>500,592,975</u>	<u>592,740,713</u>
TOTAL LIABILITIES AND EQUITY		<u>1,578,171,054</u>	<u>1,758,364,303</u>

The accompanying notes from 1 to 9 form an integral part of these consolidated interim financial statements.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED INTERIM STATEMENT OF INCOME
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	For the three months period ended SEPTEMBER 30,		For the nine months period ended SEPTEMBER 30,	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Sales	100,733,787	112,790,291	371,064,021	463,624,274
Cost of sales	(82,834,615)	(94,724,511)	(290,244,952)	(360,413,334)
Gross profit	17,899,172	18,065,780	80,819,069	103,210,940
Operating expenses				
Selling and marketing	(12,427,670)	(34,376,720)	(40,217,569)	(68,345,898)
General and administrative	(15,855,355)	(13,251,211)	(45,578,656)	(39,388,924)
Loss from operations	(10,383,853)	(29,562,151)	(4,977,156)	(4,523,882)
Other (expenses) income, net				
Financial charges, net	(9,042,751)	(8,253,929)	(23,674,727)	(25,888,080)
Share in net income of an associate	1,250,000	-	1,250,000	988,476
Other	(2,199,930)	(33,190,879)	(4,375,113)	(38,627,807)
Loss before zakat and non controlling interest	(20,376,534)	(71,006,959)	(31,776,996)	(68,051,293)
Zakat	(275,001)	-	(825,003)	(1,150,000)
Loss before non- controlling interest	(20,651,535)	(71,006,959)	(32,601,999)	(69,201,293)
Non-controlling interest	(127,120)	(122,648)	(433,581)	(454,949)
Net loss for the period	(20,778,655)	(71,129,607)	(33,035,580)	(69,656,242)
Loss per share (Saudi Riyals) (Note 2.21)				
• Operating loss	(0.23)	(0.66)	(0.11)	(0.10)
• Net loss for the period	(0.46)	(1.58)	(0.73)	(1.55)

The accompanying notes from 1 to 9 form an integral part of these consolidated interim financial statements.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	For the nine months period ended SEPTEMBER 30,	
	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities		
Net loss for the period	(33,035,580)	(69,656,242)
Adjustments for non-cash items		
Provision for doubtful accounts receivable	4,100,000	33,415,157
Provision for inventory	-	17,780,002
Share in net income of associate	(1,250,000)	(988,476)
Impairment loss on Goodwill	-	4,500,000
Depreciation and amortization	33,210,246	34,312,587
Gain on sale of property, plant and equipment	(158,596)	(555,318)
Income applicable to non-controlling interests	433,581	454,949
Assets written off due to fire	20,723,805	-
Changes in working capital		
Accounts receivable	3,159,765	(21,095,674)
Inventories	67,398,964	(69,959,944)
Prepayments and other receivable	(29,372,751)	19,421,986
Accounts payable	(5,322,337)	50,579,439
Accrued and other liabilities	85,878	37,475,587
Zakat payable	925,003	887,097
Employee termination benefits	(4,386,671)	(206,385)
Net cash generated from operating activities	<u>56,511,307</u>	<u>36,364,765</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles	(10,615,529)	(20,878,331)
Proceeds from disposal of property, plant and equipment	393,596	2,327,640
Net cash utilized in investing activities	<u>(10,221,933)</u>	<u>(18,550,691)</u>
Cash flows from financing activities		
Changes in short-term borrowings	(26,709,164)	(85,826,449)
Liabilities against letter of credit refinancing facilities	(44,087,183)	86,691,906
Change in long-term borrowings	(11,989,091)	29,749,038
Net cash (utilized in) generated from financing activities	<u>(82,785,438)</u>	<u>30,614,495</u>
Net change in cash and cash equivalents	<u>(36,496,064)</u>	<u>48,428,569</u>
Cash and cash equivalents at beginning of period	<u>39,023,222</u>	<u>24,070,573</u>
Cash and cash equivalents at end of period	<u>2,527,158</u>	<u>72,499,142</u>
Supplemental non-cash financial information		
Non-cash investing activity -		
Transfer of inventories to property, plant and equipment	891,491	2,701,000

The accompanying notes from 1 to 9 form an integral part of these consolidated interim financial statements.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

1 GENERAL INFORMATION

Saudi Paper Manufacturing Company (the "Company" or "SPM") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing of tissue paper rolls, converting tissue paper rolls into facial, kitchen and toilet tissue papers and collecting, sorting, transporting and pressing waste papers.

The Company is a joint stock company, registered in the Kingdom of Saudi Arabia, operating under commercial registration No. 2050028141 issued in Dammam on 10 Muharram 1415 H (September 20, 1994). The registered address of the Company is P.O. Box 2598, Unit number 2, Dammam 34326-7169, the Kingdom of Saudi Arabia.

A fire incident occurred on March 26, 2016 at the plant site of one of the group's subsidiaries in Riyadh, which affected certain items of property plant and equipment and inventories. The net property, plant and equipment and inventory lost due to fire amounting Saudi Riyals 9.5 million and Saudi Riyals 11.1 million respectively are written off during the period. An insurance claim of the same amount has also been recognized as the Group is confident that it will receive the claim from the insurance company. This is included in prepayments and other receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all periods presented.

2.1 Basis of preparation

The accompanying consolidated interim financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Group are summarized as follows:

2.2 Critical accounting estimates and judgments

The preparation of consolidated interim financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future which, by definition, seldom equal the related actual results.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated interim financial statements are as follows:

- Estimated useful lives and residual values of property, plant and equipment.
- Provision for doubtful debts
- Provisions and accruals
- Provision for inventories

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "Intangible assets" in the consolidated interim balance sheet. Goodwill is tested annually for impairment and carried at cost, net of impairment losses. Inter-company transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

(b) Associates

Associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting and is initially recognized at cost. The Group's investment in an associate includes goodwill identified on acquisition, which is adjusted subsequently for impairment loss, if any.

(c) Other investments

Other investments are initially recognized at cost and subsequently measured at the fair value, where applicable.

(d) Available for Sale Investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted / unquoted investments. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the consolidated interim balance sheet date.

Available-for-sale investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

- (i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments;
- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows; and
- (iii) Fair value of unquoted securities for which there are no other indices through which the market value could be reliably determined, cost is considered the most appropriate subjective and reliable alternative for the fair value determination of such investments.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as fair value reserve until the investment is disposed. Losses of fair value reserve resulted from re-measured of available-for-sale investments are recognized in the consolidated interim income statement when management considered such losses as a permanent decline.

2.4 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.5 Foreign currencies

(a) Reporting currency

These consolidated interim financial statements are presented in Saudi Riyals which is the reporting currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period-end exchange rates are recognized in the consolidated interim income statement.

Group companies

Cumulative adjustments resulting from the translations of the interim financial statements of the foreign subsidiaries into Saudi Riyals are reported as a separate component of equity.

Dividends received from subsidiaries and an associate are translated at the exchange rate in effect at the transaction date.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

2.8 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

2.9 Insurance recoveries

Insurance recoveries are recognized as an asset when it is virtually certain that an inflow of economic benefits will arise to the Group with the corresponding impact to the consolidated interim income statement of the period in which the recoveries become virtually certain.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the consolidated interim income statement, using the straight-line method, to allocate the cost of the related assets to their estimated useful lives.

	Number of years
▪ Buildings and land improvements	20 - 33
▪ Plant, machinery and equipment	10 - 25
▪ Furniture, fixtures and office equipment	5 - 15
▪ Vehicles	4 - 5

Land improvements are depreciated over shorter of useful life or lease term.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated interim income statement. Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated interim income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.11 Deferred charges

Costs that are not of benefit beyond the current period are charged to consolidated interim income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the consolidated interim balance sheet, include certain indirect construction costs and pre-operating expenses which are amortized over periods which do not exceed seven years.

2.12 Intangible asset

Costs that are not of benefit beyond the current period are charged to the consolidated interim income statement, while costs that will benefit future periods are capitalized. Intangible assets in the consolidated interim balance sheet include certain indirect construction costs, computer software and pre-operating expenses which are amortized over periods which do not exceed seven years.

2.13 Impairment

(a) Tangibles and intangible assets

At each fiscal year end, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amounts are determined on the basis of value-in-use calculations. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized in the consolidated interim income statement.

(b) Financial assets

An assessment is made at each interim balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated interim income statement. Impairment is determined as follows:

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

- (i) For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the consolidated interim income statement; and
- (ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (iii) For impairment of available for sale investments, the unrealized gain or loss previously reported in stockholders' equity is included in the consolidated interim income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated interim income statement. Impairment losses recognized on equity investments classified as available for sale and goodwill are not reversible.

2.14 Borrowings

Borrowings are recognized at the proceeds received, net of transaction Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the consolidated interim income statement.

2.15 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.16 Zakat and tax

The Company and local subsidiaries are subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (the "GZIT").

Provision for zakat for the Company and zakat related to the Saudi Arabian subsidiaries is charged to the consolidated interim income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties, as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income tax in their respective countries of domicile which are charged to the consolidated interim income statement.

Deferred income tax are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2.17 Employee termination benefits

Employee termination benefits required by the Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the consolidated interim income statement.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

2.18 Sales

Sales are recognized upon delivery of products. Revenues are shown net of discounts and rebates and after eliminating sales within the Group.

2.19 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.20 Statutory reserve

In accordance with the Articles of Association of the Group, the Group is required to transfer 10% of their net income to a statutory reserve until such reserve equals 50% of share capital. Such transfer is made at the end of the fiscal year.

This reserve currently is not available for distribution to the stockholders of the Group. The Group has a practice of transferring the required amount of net income to statutory reserves on yearly basis.

2.21 Loss/earnings per share

Loss/earnings per share for the three months and nine months period ended September 30, 2016 and September 30, 2015 has been computed by dividing the operating income and net income for the periods by weighted average number of 45,000,000 shares outstanding during such periods.

3 PREPAYMENTS AND OTHER RECEIVABLE

Prepayments and other receivable at September 30, 2016 include:

- Receivable from a third party against sale of five land parcels in 2012. During December 2014, the Company repurchased a portion of a land parcel in Jeddah for an amount of Saudi Riyals 66.7 million. Under the terms of the purchase agreement with the third party, the purchase price was adjusted against the balance receivable and the remaining balance of Saudi Riyals 56.3 million was rescheduled for repayments in two installments due in 2015 which were not settled in 2015. The Group holds the title deeds of three land sold in 2012 in its name as collateral. Based on a recent valuation report, the value of this land is higher than the amount receivable and accordingly, management believes that no provision is required as at September 30, 2016. Management also believes that these balances will be collected in 2016.
- A balance amounting to Saudi Riyals 8.9 million receivable from a third party is secured against promissory notes. The Group management, based on advice from its legal counsel, believes that the balance is recoverable. Accordingly, no provision against such amount has been made in the accompanying consolidated interim financial statements.

4 BORROWINGS

Long term borrowings at September 30, 2016 include short-term loans amounting to Saudi Riyals 226 million (2015: Saudi Riyals 113 million) which were classified as long-term by the group based on the options available to the group to rollover or refinance such loans for further twelve months period.

The covenants of some of the short term and long term borrowings facilities require maintaining certain level of financial ratios and lenders prior approval for dividends distribution above a certain amount. Loans amounting to Saudi Riyals 80 million due for repayment on September 30, 2016 were not paid as on that date. The Company is in process of restructuring and also believes to settle these loans shortly.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

5 SEGMENT INFORMATION

The Group operates principally in the following business segments:

- (i) Manufacturing; and
- (ii) Trading, transporting and other.

Selected financial information as of September 30, 2016 and 2015 and for the nine-months period then ended, summarized by the above business segments, was as follows:

	Manufacturing	Trading, transporting and other	Total
2016			
Sales	369,044,518	2,019,503	371,064,021
Net loss	(28,336,605)	(4,698,975)	(33,035,580)
Total assets	1,415,075,431	163,095,623	1,578,171,054
2015			
Sales	417,762,125	45,862,149	463,624,274
Net (loss)	(47,911,329)	(21,744,913)	(69,656,242)
Total assets	1,577,026,911	181,337,392	1,758,364,303

The Group's operations are conducted in Saudi Arabia, other Gulf Cooperation Council (GCC) countries and certain other countries. Selected financial information as of September 30, 2016 and 2015 and for the nine-month periods then ended, summarized by geographic area, and was as follows:

	Saudi Arabia	GCC countries	Other countries	Total
2016				
Sales	344,407,974	10,571,984	16,084,063	371,064,021
Non-current assets:				
Property, plant and equipment	859,567,164	18,480,202	75,606,948	953,654,314
Other non-current assets	26,889,015	13,517,174	87,750	40,493,939
2015				
Sales	435,448,659	15,822,980	12,352,635	463,624,274
Non-current assets:				
Property, plant and equipment	904,623,336	18,619,597	81,398,336	1,004,641,26
Other non-current assets	17,577,593	13,614,400	813,895	32,005,888

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016
(Unaudited)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

6 CONTINGENCIES AND COMMITMENTS

- (i) Bank guarantees issued in the normal course of the business amounting to Saudi Riyals 6.2 million at September 30, 2016 (September 30 2015: Saud Riyal 9.3 million).
- (ii) The capital expenditure contracted by the Group but not yet incurred till September 30, 2016 was approximately Saudi Riyals 5 million (September 30 2015 : Saudi Riyal 15 million).

7 RESULTS OF INTERIM PERIOD

The Group has made all necessary adjustments which are important to present fairly in all material respects the consolidated interim financial position and consolidated interim results of operations. The consolidated interim financial results may not be considered an indicative of the actual results for the whole year.

8 COMPARATIVE FIGURES

Certain figures for the second quarter of 2015 have been reclassified to conform to the presentation in current period.

9 APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These consolidated interim financial statements have been approved by the Management on October 19, 2016 corresponding to Muharram 18, 1438.