

**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AND AUDITORS' REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED  
SEPTEMBER 30, 2014**

**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT  
(LIMITED REVIEW)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

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<b>INDEX</b>	<b>PAGE</b>
Auditors' report (limited review)	1
Consolidated interim balance sheet	2
Consolidated interim statement of income	3
Consolidated interim statement of cash flows	4
Notes to the consolidated interim financial statements	5 - 10

## AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders  
Takween Advanced Industries  
Saudi Arabia

### Scope of Review

We have reviewed the consolidated interim balance sheet of Takween Advanced Industries ("the Company"), a Saudi Joint Stock Company, and its subsidiaries as of September 30, 2014, and the related consolidated interim statements of income for the three months and nine months then ended and cash flows for the nine months then ended, and notes 1 to 7 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

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

### 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.

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser M. Al-Sagga  
License No. 322  
28 Dhu-al-Hijjah, 1435H  
October 22, 2014



**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2014**

	Note	2014 SR 000 (Un-audited)	2013 SR 000 (Un-audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		102,957	82,981
Investments held for trading		75,025	-
Accounts receivable		226,165	233,928
Inventories		235,606	156,281
Other assets		77,335	58,250
<b>Total current assets</b>		<b>717,088</b>	<b>531,440</b>
<b>Non-current assets</b>			
Property, plant and equipment		613,502	521,111
Intangible assets		21,223	12,169
<b>Total non-current assets</b>		<b>634,725</b>	<b>533,280</b>
<b>TOTAL ASSETS</b>		<b>1,351,813</b>	<b>1,064,720</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short term borrowings		529,225	430,577
Accounts payable and other liabilities		196,070	63,669
Current portion of medium and long term loans		13,418	27,900
<b>Total current liabilities</b>		<b>738,713</b>	<b>522,146</b>
<b>Non-current liabilities</b>			
Medium and long term loans		112,981	81,770
End-of-service indemnities		10,777	7,172
<b>Total non-current liabilities</b>		<b>123,758</b>	<b>88,942</b>
<b>Shareholders' equity</b>			
Share capital	1	350,000	350,000
Statutory reserve		29,495	24,034
Retained earnings		109,847	79,598
<b>Total shareholders' equity</b>		<b>489,342</b>	<b>453,632</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,351,813</b>	<b>1,064,720</b>

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




**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

	Note	From July 1 to September 30		From January 1 to September 30	
		2014	2013	2014	2013
		SR 000	SR 000	SR 000	SR 000
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Sales	4	194,638	192,224	575,618	566,877
Cost of sales		159,031	165,267	488,348	482,989
<b>Gross profit</b>		<b>35,607</b>	<b>26,957</b>	<b>87,270</b>	<b>83,888</b>
Research and development expenses		556	203	1,572	424
Selling and distribution expenses		5,614	5,083	15,877	13,301
General and administrative expenses		11,724	7,101	33,642	22,272
<b>Operating income</b>	4	<b>17,713</b>	<b>14,570</b>	<b>36,179</b>	<b>47,891</b>
Finance charges		(2,687)	(3,037)	(9,385)	(9,216)
Other income, net		5,672	72	32,970	9,675
<b>Net income before zakat</b>		<b>20,698</b>	<b>11,605</b>	<b>59,764</b>	<b>48,350</b>
Zakat		(1,248)	(830)	(3,681)	(2,490)
<b>NET INCOME</b>		<b>19,450</b>	<b>10,775</b>	<b>56,083</b>	<b>45,860</b>
<b>Earnings per share</b>	3				
Earnings per share from net income (SR)		0.56	0.31	1.60	1.31
Earnings per share from continuing main operations (SR)		0.40	0.31	0.66	1.03
Earnings per share from other operations (SR)		0.16	0.00	0.94	0.28
Weighted average number of shares		35,000,000	35,000,000	35,000,000	35,000,000

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






**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

	2014 SR 000 (Un-audited)	2013 SR 000 (Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	59,764	48,350
Adjustments for:		
Depreciation	45,786	34,022
Amortization of intangible assets	1,825	1,360
Write-off of intangible assets	390	-
Gain on disposal of property, plant and equipment	-	(44)
Gain on sale of investments held for trading	(38,791)	(13,967)
End-of-service indemnities	3,480	1,779
Finance charges	9,385	9,216
Changes in operating assets and liabilities:		
Accounts receivable	(26,629)	(57,701)
Inventories	(47,527)	35,911
Other assets	(37,084)	(30,038)
Accounts payable and other liabilities	150,851	(59,637)
Cash from (used in) operations	121,450	(30,749)
Finance charges paid	(9,564)	(8,606)
End-of-service indemnities paid	(189)	(843)
Zakat paid	(1,829)	(2,715)
<b>Net cash from (used in) operating activities</b>	<b>109,868</b>	<b>(42,913)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(99,274)	(143,282)
Proceeds from disposal of property, plant and equipment	-	44
Additions to intangible assets	(10,587)	(3,388)
Net movement in investments held for trading	(31,422)	13,967
<b>Net cash used in investing activities</b>	<b>(141,283)</b>	<b>(132,659)</b>
<b>FINANCING ACTIVITIES</b>		
Change in short term borrowings	59,380	238,215
Change in medium and long term loans	26,929	(10,783)
Directors' remunerations	(1,400)	-
Dividends paid (note 6)	(17,500)	(14,963)
<b>Net cash from financing activities</b>	<b>67,409</b>	<b>212,469</b>
<b>Net change in cash and cash equivalents</b>	<b>35,994</b>	<b>36,897</b>
Cash and cash equivalents, January 1	66,963	46,084
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>102,957</b>	<b>82,981</b>

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

**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**1. ORGANIZATION AND ACTIVITIES**

Takween Advanced Industries ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051044381 issued in Al Khobar on 9th Muharram 1432H (December 15, 2010). The Company's share capital is SR 350 million divided into 35 million shares of SR 10 each.

Following the approval by the Capital Market Authority ("CMA"), the Company made an initial public offering of 9 million shares with a par value of SR 10 each, representing 30% of issued shares, in January 2012. The offering was fully subscribed at an offer price of SR 26 per share and the shares were listed on the Saudi Stock Exchange (Tadawul) on February 7, 2012.

The Board of Directors in their meeting held on February 17, 2013 proposed to increase the share capital of the Company from SR 300 million to SR 350 million by capitalizing part of the retained earnings by distributing one bonus share for every six existing shares held at the closing of trading on the day of the Extra Ordinary General Assembly Meeting. On April 8, 2013, the bonus shares have been approved by the shareholders at their Extra Ordinary General Assembly Meeting and the legal formalities to obtain the revised commercial registration have been completed.

The consolidated financial statements include the financial statements of the Company and its subsidiaries ("the Group") as listed below:

	<b>Effective ownership</b>	
	<b>2014</b>	<b>2013</b>
• Advanced Fabrics Factory Company ("SAAF")	100%	100%
• Ultra Pak Manufacturing Company ("Ultra Pak")	100%	100%

The principal activities of the Group companies, each of which operates under individual commercial registration, are:

- Production of disposable polystyrene cups, lids and other plastic related products
- Production of non-woven plastics
- Production of PET (Polyethylene Terephthalate) pre-forms

The Company agreed to purchase the textile plant along with its right to use the leasehold land and improvements from Al Hasa Development Company, a Saudi joint stock company, for a total value of SR 31.5 million. As of September 30, 2014, the Company made an advance payment of SR 28 million which is shown as part of property, plant and equipment and the balance will be paid upon completion of the legal formalities and obtaining approvals from related authorities.

The Company signed a non-binding memorandum of understanding ("MOU"), with Savola Group, s Saudi Joint Stock Company, on July 22, 2014 in relation to the proposed acquisition of Savola Packaging, a wholly owned subsidiary of Savola Group. The MOU has an initial term of 16 weeks and is subject to various conditions and approvals including the Company's completion of a detailed due diligence, completion of the negotiation resulting in definitive agreement in relation to the proposed acquisition, approval of both the companies' board of directors, stockholders and the approval of relevant Saudi Arabian regulatory authorities.

**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated interim financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

**Accounting convention**

These consolidated interim financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of held for trading investments.

**Basis of consolidation**

These consolidated interim financial statements incorporate the interim financial statements of the Company and its subsidiaries controlled by the Company prepared for the three and nine months ended September 30, 2014. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated interim financial statements.

**Use of estimates**

The preparation of consolidated interim financial statements in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**Revenue recognition**

Revenue is recognized upon delivery of goods to customers and is stated net of trade or quantity discounts.

**Research and development expenses**

Research and development expenses are charged to the consolidated interim statement of income in the period in which they are incurred.

**Selling and distribution and general and administrative expenses**

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products. All other expenses are classified as general and administrative expenses.

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

**Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

**Investments**

Investments in marketable equity securities are classified according to the Group's intent with respect to those securities. Marketable equity securities held to maturity are stated at amortized cost, adjusted for the related premium or discount. Marketable equity securities held for trading are stated at fair value and unrealized gains and losses thereon are included in the consolidated interim statement of income.

Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in consolidated stockholders' equity.



**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated rates of depreciation of the principal classes of assets are as follows:

	<u>Rate %</u>
Buildings, leasehold and other improvements	3 - 4
Plant, machinery and equipment	10 - 33.33
Vehicles	20 - 25
Furniture, fixtures and office equipment	15 - 33.3

Depreciation for machinery owned by SAAF is determined based on total annual output in proportion to total production capacity.

**Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the qualifying asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the management 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 as an expense immediately.

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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

**Intangible assets**

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise loan appraisal fees, software, system development costs and pre-operating costs.

The loan appraisal fees relate to the loans from Saudi Industrial Development Fund ("SIDF"), which are being amortized over the period of the loans.

Enterprise resource planning (ERP) system development costs represent costs incurred to implement new system and are amortized over 5 year period from the date it is fully implemented.

**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES  
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**Dividends**

Dividends are recognized as liability at the time of their approval in the Annual General Assembly meeting.

**Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated interim statement of income.

**End-of-service indemnities**

End-of-service indemnities, required by labor laws applicable in the Kingdom of Saudi Arabia, are provided in the consolidated interim financial statements based on the employees' length of service.

**Zakat**

The Group is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat for the Company and its subsidiaries is filed with the Department of Zakat and Income Tax ("DZIT") on a consolidated basis by the Company, Takween Advanced Industries. Zakat is provided on an accruals basis for the Group. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The zakat charge in the consolidated financial statements represents the zakat for the Company and its subsidiaries.

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

**Segmental reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

**Statutory reserve**

In accordance with Regulations for Companies in Saudi Arabia and the by Laws of the Company, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the period end based on period end net income and any difference between the amount appropriated and the actual is adjusted at the fourth quarter.

**3. EARNINGS PER SHARE**

Earnings per share is computed by dividing net income for the periods by the weighted average number of shares outstanding during three months and nine months ended September 30, 2014 totaling 35 million shares of SR 10 each (2013: the number of shares have been adjusted to 35 million to accommodate increase in share capital by issuing bonus shares (note 1)).

Earnings per share from the continuing main operations is computed by dividing the operating income less zakat and finance charges for the periods by the weighted average number of shares outstanding.

Earnings per share from other operations is computed by dividing the other income for the periods by the weighted average number of shares outstanding.

**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

**4. SEGMENTAL INFORMATION**

**Business segments:**

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. Transactions between the business segments are reported as recorded by the Group's transfer pricing system. The Group's revenue, operating income, property, plant and equipment, total assets and total liabilities, by business segment, are as follows:

	Disposable polystyrene cups, lids and other plastic related products SR 000	Non-woven plastics SR 000	Polyethylene Terephthalate (PET) pre- forms SR 000	Total SR 000
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
<b>2014</b>				
<b>For the nine months ended September 30, 2014</b>				
Revenues	209,819	223,705	142,094	575,618
Operating income	9,113	13,696	13,370	36,179
<b>As of September 30, 2014</b>				
Property, plant and equipment	151,342	435,799	26,361	613,502
Total assets	479,200	674,424	198,189	1,351,813
Total liabilities	404,485	375,510	82,476	862,471
<b>2013</b>				
<b>For the nine months ended September 30, 2013</b>				
Revenues	212,858	203,196	150,823	566,877
Operating income	7,254	26,009	14,628	47,891
<b>As of September 30, 2013</b>				
Property, plant and equipment	97,646	392,520	30,945	521,111
Total assets	382,164	538,517	144,039	1,064,720
Total liabilities	257,401	295,570	58,117	611,088

**Geographical segments:**

All of Group's operating assets are located in the Kingdom of Saudi Arabia.

**TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES  
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**5. CONTINGENCIES AND COMMITMENTS**

At September 30, the Group had the following contingencies and commitments:

	<b>2014</b>	<b>2013</b>
	<b>SR 000</b>	<b>SR 000</b>
	<b>(Un-audited)</b>	<b>(Un-audited)</b>
Letters of credit	<b>70,055</b>	<b>8,821</b>
Letters of guarantee and others	<b>30,000</b>	<b>33,812</b>
Capital commitments against purchase of property, plant and equipment	<b>22,062</b>	<b>59,767</b>

**6. DIVIDENDS AND BONUS SHARES**

In 2014, the Company distributed a cash dividend of SR 0.50 per share totalling SR 17.5 million for the year 2013 (2013: SR 0.50 per share for total shares of 30 million totalling SR 15 million for the year 2012).

In April 2013, the General Assembly approved to increase the share capital by issuing bonus shares (note 1).

**7. RESULTS OF INTERIM PERIOD**

The results of the interim period are not audited and therefore it may not give accurate indication of the results of the full statutory financial year.