

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UN-AUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 2020
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS****The Shareholders****Takween Advanced Industries Company****(A Saudi Joint Stock Company)****Al-Khobar, Kingdom of Saudi Arabia****Introduction:**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Takween Advanced Industries Company (the "Company"), a Saudi Joint Stock Company and its subsidiaries (collectively referred to as the "Group") as of September 30, 2020, the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three and nine months periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for the nine months period then ended and notes including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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" as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements 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 as endorsed in the Kingdom of Saudi Arabia 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 condensed consolidated interim financial statements are not prepared in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter

We draw attention to Note 1 of the condensed consolidated financial statements which states that management performed annual impairment testing of Goodwill amounting to SR 323.58 million as of December 31, 2019. The assessment, which was reviewed by an independent party for the reasonableness of the methodology used by management, included assumptions related to the future sales volume, prices, operating assets, growth rates, terminal value and other related assets. The outcome of those assumptions is highly dependent on the success of the future operations of the Group and market conditions as estimated by management and achieving its plans in future. Management considers the assumptions to be realistic and achievable in view of its operational plan and is confident of its ability to meet these future plans. Management believes that the carrying value of cash generating units' assets including goodwill does not exceed their recoverable amount. Accordingly, no impairment was recorded for goodwill as of December 31, 2019 and September 30, 2020.

Al-Bassam & Co.

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Al Khobar,



Rabi Al-Awwal 11, 1442H




October 28, 2020

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020

		September 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		963,287	1,009,262
Intangible assets		4,219	4,934
Goodwill		323,582	323,582
Total non-current assets		1,291,088	1,337,778
Current assets			
Inventories	5	216,847	240,863
Trade receivables	6	300,400	289,316
Prepaid expenses and other assets		46,565	51,162
Investment held at amortized cost		-	7,016
Cash and cash equivalents		44,676	40,274
Total current assets		608,488	628,631
TOTAL ASSETS		1,899,576	1,966,409
EQUITY AND LIABILITIES			
Equity			
Share capital	1	950,000	950,000
Other reserves		(42,805)	(43,392)
Accumulated losses		(316,312)	(313,694)
Total equity		590,883	592,914
LIABILITIES			
Non-current liabilities			
Medium and long term loans	7	284,406	173,934
Lease liabilities – non-current portion		16,808	16,147
Employee benefits		35,294	35,769
Total non-current liabilities		336,508	225,850
Current liabilities			
Current portion of medium and long term loans	7	105,570	174,420
Short-term loans	7	564,186	695,313
Lease liabilities – current portion		743	1,409
Trade payables and other liabilities		301,686	276,503
Total current liabilities		972,185	1,147,645
Total liabilities		1,308,693	1,373,495
TOTAL EQUITY AND LIABILITIES		1,899,576	1,966,409

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on October 28, 2020 and signed on their behalf by:

 <hr/> Marwan Jreige Chief Financial Officer	 <hr/> Jameel A. Al-Molhem Managing Director	 <hr/> Abdulmohsen Al-Othman Chairman
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.


TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

	Note	From July 1 to September 30		From January 1 to September 30	
		2020 (Un-audited) SR '000	2019 (Un-audited) SR '000	2020 (Un-audited) SR '000	2019 (Un-audited) SR '000
Revenue	8, 10	288,223	314,672	854,957	937,291
Cost of revenue	8	(240,094)	(297,924)	(732,995)	(856,821)
Gross profit		48,129	16,748	121,962	80,470
Administrative expenses	8	(17,038)	(13,441)	(47,331)	(52,289)
Selling, marketing and distribution expenses		(17,437)	(18,151)	(47,348)	(45,771)
Research expenses		(365)	(354)	(1,104)	(870)
Operating income (loss)		13,289	(15,198)	26,179	(18,460)
Finance charges	10	(10,905)	(16,778)	(36,311)	(45,754)
Other income, net		3,759	2,921	7,514	9,667
Income (loss) before zakat and income tax		6,143	(29,055)	(2,618)	(54,547)
Zakat and income tax		-	287	-	199
Net income (loss) for the period		6,143	(28,768)	(2,618)	(54,348)
Other Comprehensive income:					
<i>Item that may be reclassified to statement of profit or loss</i>					
Exchange differences on translation of foreign operation		787	901	587	3,436
Other comprehensive income for the period		787	901	587	3,436
Total comprehensive income (loss) for the period		6,930	(27,867)	(2,031)	(50,912)
Earnings (loss) per share (SR)					
Basic and diluted earnings (loss) per share	11	0.06	(0.3)	(0.03)	(0.57)

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on October 28, 2020 and signed on their behalf by:


Marwan Jreige
Chief Financial Officer


Jameel A. Al-Molhem
Managing Director


Abdulmohsen Al-Othman
Chairman


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

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

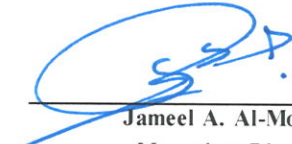
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Share capital SR '000	Other reserves SR '000	Accumulated losses SR '000	Total SR '000
Balance as at January 1, 2019 (audited)	950.000	(49,495)	(216,977)	683,528
Net loss for the period	-	-	(54,348)	(54,348)
Other comprehensive income for the period	-	3,436	-	3,436
Total comprehensive income (loss) for the period	-	3,436	(54,348)	(50,912)
Balance as at September 30, 2019 (un-audited)	<u>950.000</u>	<u>(46,059)</u>	<u>(271,325)</u>	<u>632,616</u>
Balance as at January 1, 2020 (audited)	950.000	(43,392)	(313,694)	592,914
Net loss for the period	-	-	(2,618)	(2,618)
Other comprehensive income for the period	-	587	-	587
Total comprehensive income (loss) for the period	-	587	(2,618)	(2,031)
Balance as at September 30, 2020 (un-audited)	<u>950,000</u>	<u>(42,805)</u>	<u>(316,312)</u>	<u>590,883</u>

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of share holders on October 28, 2020 and signed on their behalf by:



Marwan Jreige
Chief Financial Officer



Jameel A. Al-Molhem
Managing Director



Abdulmohsen Al-Othman
Chairman


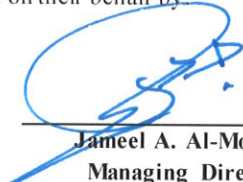

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	For the nine months periods ended	
	September 30, 2020 (Un-audited) SR '000	September 30, 2019 (Un-audited) SR '000
OPERATING ACTIVITIES		
Net loss for the period	(2,618)	(54,348)
<i>Adjustments for:</i>		
Depreciation and amortization	75,053	79,287
Reversal for zakat and income tax	-	(199)
Write off of property, plant and equipment	585	-
Allowance (reversal of allowance) for inventories	3,150	(3,591)
Finance charges	36,311	45,754
Provision for employee benefits	4,256	4,723
	<u>116,737</u>	<u>71,626</u>
Movement in working capital:		
Inventories	20,838	3,156
Trade receivables	(11,144)	1,075
Prepaid expenses and other assets	4,597	(25,604)
Trade payables and other liabilities	25,183	78,673
Cash generated from operations	<u>156,211</u>	<u>128,926</u>
Finance charges paid	(35,693)	(45,698)
Employee benefits paid	(4,731)	(3,770)
Net cash generated from operating activities	<u>115,787</u>	<u>79,458</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(28,657)	(19,924)
Proceeds from disposal of investment held at amortized costs	7,016	-
Net cash used in investing activities	<u>(21,641)</u>	<u>(19,924)</u>
FINANCING ACTIVITIES		
Change in short term loans	(56,127)	121,665
Repayment of medium and long term loans	(33,378)	(143,748)
Repayment of principal of lease liability	(623)	-
Net cash used in financing activities	<u>(90,128)</u>	<u>(22,083)</u>

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on October 28, 2020 and signed on their behalf by:

 <hr style="width: 100%; border: 0.5px solid black;"/> <p>Marwan Jreige Chief Financial Officer</p>	 <hr style="width: 100%; border: 0.5px solid black;"/> <p>Jameel A. Al-Molhem Managing Director</p>	 <hr style="width: 100%; border: 0.5px solid black;"/> <p>Abdulmohsen Al-Othman Chairman</p>
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES COMPANY
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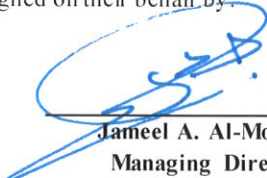
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	For the nine months period ended	
	September 30, 2020 (Un-audited) SR '000	September 30, 2019 (Un-audited) SR '000
Net change in cash and cash equivalents	4,018	37,451
Cash and cash equivalents at the beginning of the period	40,274	9,943
Foreign currency translation reserve	384	2,882
Cash and cash equivalents at the end of the period	44,676	50,276
NON-CASH TRANSACTIONS:		
Re-scheduling of short term loans to medium and long term loans	75,000	-
Recognition of right of use assets and lease liabilities on adoption of IFRS 16	-	11,186

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on October 28, 2020 and signed on their behalf by:



Marwan Jreige
Chief Financial Officer



Jameel A. Al-Molhem
Managing Director



Abdulmohsen Al-Othman
Chairman

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

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Takween Advanced Industries Company (“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 Muharram 9, 1432H (December 15, 2010). The Company’s share capital is SR 950 million divided into 95 million shares of SR 10 each.

The Company’s registered office is located at Al Khobar, Kingdom of Saudi Arabia.

The principal activities of the Company and its subsidiaries (“the Group”), each of which operates under individual commercial registration, are:

- Owning of factories with various plastic products manufacturing together with maintaining, operating and managing;
- Production of disposable polystyrene cups, lids and other plastic related products;
- Production of non-woven fabrics;
- Production of PET (Polyethylene Terephthalate) pre-forms;
- Manufacturing of, and wholesale trading in plastic containers and films;
- Manufacturing of, and wholesale and retail trading in plastic containers and polyethylene cups, rolls and bags;
- Managing and operating of industrial centers;
- Owning of land for the purpose of establishing and developing factories;
- Establishing industrial institutes and providing and coordinating for training courses related to developing of plastic products;
- Import and export, wholesale and retail trade in various kind of plastic products; and
- Establishing, managing, operating and maintaining different industrial project.

As at September 30, 2020, the current liabilities of the Group exceeded its current assets by SR 363.7 million (December 31, 2019: SR 519 million) mainly on account of short term loans and current portion of medium and long term loans amounting to SR 564.2 million and SR 105.6 million, respectively (December 31, 2019: SR 695.3 million and SR 174.4 million, respectively). Additionally, as mentioned in note 7, the Group was in breach of its loans’ financial covenants as of September 30, 2020. The Group is currently taking necessary remedial actions in order to resolve the breach in covenants. Management of the Company believes that it would be successful in resolving the breach in near future in addition to availing new facilities as required. Accordingly, these condensed consolidated interim financial statements have been prepared on going concern basis and loans are continued to be classified as per their original terms of repayment.

Management performed annual impairment testing of Goodwill amounting to SR 323.58 million as of December 31, 2019. The assessment, which was reviewed by an independent party for the reasonableness of the methodology used by management, included assumptions related to the future sales volume, prices, operating assets, growth rates, terminal value and other related assets. The outcome of those assumptions is highly dependent on the success of the future operations of the Group and market conditions as estimated by management and achieving its plans in future. Management considers these assumptions to be realistic and achievable in view of its operational plan and is confident of its ability to meet these future plans. Management believes that the carrying value of cash generating units’ assets including goodwill does not exceed their recoverable amount. Accordingly, no impairment was recorded for goodwill as of December 31, 2019 and September 30, 2020.

On June 8, 2020, the Company signed a non-binding memorandum of understanding with a third party to sell 70% of the entire shares of the Advanced Fabrics Factory Company - SAAF (one of the subsidiaries of the Group). The agreement stipulated various conditions including preliminary fair value for the entire shares of SAAF of SR 307.5 million, completion of a due diligence exercise and other related matters. Negotiations on the final agreement will be made following the completion of the due diligence exercise and will be subject to approval of the Board of Directors of both parties and other relevant regulatory requirements. The financial impact of this agreement will be determined later and will be reflected in the financial period in which the final agreement will be signed.

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

2. STRUCTURE OF THE GROUP

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries as listed below:

	Effective ownership	
	September 30, 2020	December 31, 2019
• Saudi Plastic Packaging Systems (“Saudi Packaging”)	100%	100%
• Advanced Fabrics Factory Company (“SAAF”)	100%	100%
• Al-Sharq Company for Plastic Industries Limited (“Al-Sharq”)	100%	100%
• New Marina for Plastic Industries Company (S.A.E.) (“New Marina”)	100%	100%
• Ultra Pak Manufacturing Company (“Ultra Pak”)	100%	100%

3. BASIS OF PREPARATION

3.1 Statement of compliance

These condensed consolidated interim financial statements for the nine months period ended September 30, 2020 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2019.

3.2 Preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements have been prepared on the historical cost convention except for where International Financial Reporting Standards (“IFRSs”) requires other measurement basis.

The principal accounting policies applied in the preparation of condensed consolidated interim financial statements are consistent with those of the previous financial year and the respective corresponding interim reporting period.

The preparation of condensed consolidated interim financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements.

3.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals (SR) in thousands, which is the Group’s functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the group.

4.1 Basis of consolidation

The condensed consolidated interim financial statements incorporate the financial statements of Takween Advanced Industries Company and of its subsidiaries (the “Group”) as detailed in note 2. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Condensed consolidated interim statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.1.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the condensed consolidated interim statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified condensed consolidated interim statement of profit or loss and other comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded either at fair value on initial recognition for subsequent accounting under IFRS 9, or at the cost on initial recognition of an investment in an associate or a joint venture.

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 New Standards, Amendments to Standards and Interpretations

A number of new standards, amendments to standards are effective from January 1, 2020 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

5. INVENTORIES

	September 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Finished goods	71,089	95,042
Raw and packaging materials and work in process	119,355	120,293
Spare parts	55,227	51,174
	245,671	266,509
Allowance for inventories	(28,824)	(25,646)
	216,847	240,863

6. TRADE RECEIVABLES

	September 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Trade receivables	341,053	337,484
Trade receivables - related party	8,129	2,302
Due from related parties	560	17
	349,742	339,803
Allowance for impairment of trade receivables	(49,342)	(50,487)
	300,400	289,316

7. BORROWINGS

	September 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Medium and long-term loans (a)	389,976	348,354
Short-term loans (b)	564,186	695,313

a) Medium and long-term loans

	September 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Commercial loans	321,856	280,989
Saudi Industrial development fund ("SIDF") Loans	68,120	67,365
	389,976	348,354
Less: current portion	105,570	174,420
	284,406	173,934

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

7. BORROWINGS (Continued)

a) Medium and long-term loans (Continued)

Commercial loan – The Group entered into Murabaha Facilities Agreement of SR 910 million with the Arab National Bank (“the lead bank”), on behalf of Murabaha Facilities Participants, for financing the acquisition of Saudi Plastic Packaging Systems (“Saudi Packaging”) along with its two subsidiaries i.e. Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.). The facility is secured by irrevocable and unconditional assignment of all rights, titles and interests to the sale contract entered into with the Al Othman Agricultural Production and Processing Company (NADA), a related party, revenue accounts of the Saudi Packaging, Advanced Fabrics Factory Company (SAAF) and a corporate guarantee from Al-Othman Holding Company, an affiliate.

In 2016, a repayment of SR 490 million was made in respect of this loan i.e. SR 90 million pertaining to scheduled loan installment and early repayment of SR 400 million. There was no change in the term of the loan, however repayment was rescheduled accordingly. During 2018 and 2020, in continuation of the original Murabaha Facilities Agreement with Arab National Bank, the Company has restructured SR 150 million and SR 75 million respectively from short term loan to medium and long term loan.

The Group is in breach of certain covenants of long term loan which is measured half yearly i.e. June and December every year. Management has taken necessary remedial action including obtaining waiver from the lead bank for the year ended December 31, 2019 and for the period ended June 30, 2020. Management of the Company believes that it would be successful in resolving the breach in near future in addition to availing new facilities as required. Accordingly, this loan continues to be classified as non-current.

SIDF loans - The Group entered into various loan agreements with SIDF to finance the construction of the plant facilities of the Group. The loans bear no periodic financing charges. The loans are secured by mortgage on the property, plant and equipment of the Group companies, two parcels of land owned by an affiliate and corporate guarantees from the Company.

In September 2013, SAAF entered into a loan agreement with SIDF to finance the construction of its new production facilities for an amount of SR 125.7 million. Repayment of the loan is in 14 unequal semi-annual installments commencing from Shawwal 15, 1436H (July 31, 2015). In 2015, an amount of SR 12.5 million and in 2014 SR 113.2 million was drawn down by the SAAF.

The Group is in breach of certain covenants of this loan which are measured on yearly basis. This loan has been restructured during the period ended September 30, 2020. Management of the Company believes that it would be successful resolving the breach in near future. Accordingly, as of September 30, 2020, this loan is continued to be classified as per its original terms of repayment.

b) Short term loans

The Group has credit facilities agreements with local commercial banks and financial institutions comprising of overdrafts, short term loans, letters of credit and guarantee etc. Borrowings under the facilities bear financing charges at the prevailing market rates and are secured by demand order note, promissory notes in addition to corporate guarantees from Al-Othman Holding Company, an affiliate, to one local bank.

8. RELATED PARTIES TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Company

Relationship

Al Othman Group of companies

Affiliates

TAKWEEN ADVANCED INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

8. RELATED PARTIES TRANSACTIONS (Continued)

During the period, the Group entered into the following transactions with related parties that are not members of the Group:

<u>Nature of transaction</u>	September 30, 2020 (Un-audited) SR '000	September 30, 2019 (Un-audited) SR '000
Revenue	47,608	50,152
IT services	4,557	3,881
Accommodation, food and other miscellaneous expenses	1,847	1,909
Purchase of materials	1,108	1,542
Rentals	917	1,517
Purchase of air tickets	916	2,241
Expenses incurred for affiliates	-	12

9. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	September 30, 2020 (Un-audited) SR '000	September 30, 2019 (Un-audited) SR '000
Short term benefit	5,581,875	5,583,911
Amounts payable under retention program	246,384	277,928
Board of Directors and related committees remuneration	819,000	779,155
	6,647,259	6,640,994

10. 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. The Group's principal activities are related to the following main business segments:

- Disposable polystyrene cups, lids, other plastic related products and others: These includes plastic packing and packaging products of polystyrene sheet rolls used in forming, immediate packing and packaging in thermoformed and polystyrene cups and lids, high density bottles used in dairy, food and beverage industry; and
- Non-woven fabrics: These includes the composite fabrics, for use in health, industrial and medical sectors, alcohol resistant and anti-static electricity fabrics used for surgical drapes, medical and protective gowns use and fabrics made for health usages, such as children and adult diapers and women's diapers.

The Group's total assets, total liabilities, revenue, income (loss) before zakat, finance costs and depreciation and amortization by business segment, are as follows:

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

10. SEGMENTAL INFORMATION (Continued)

	Disposable polystyrene cups, lids, other plastic-related products and others	Non-woven fabrics	Total
	SR '000	SR '000	SR '000
2020			
For the nine months period ended September 30, 2020 (Un-audited)			
External revenue	582,513	272,444	854,957
Finance charges	28,389	7,922	36,311
Depreciation and amortization	51,902	23,151	75,053
(Loss) income before zakat and income tax	(40,226)	37,608	(2,618)
For the three months period from July 1 to September 30, 2020 (Un-audited)			
External revenue	183,336	104,887	288,223
Finance charges	8,720	2,185	10,905
Depreciation and amortization	17,386	7,758	25,144
(Loss) income before zakat and income tax	(14,871)	21,014	6,143
For the nine months period ended September 30, 2020 (Un-audited)			
Segment revenue	589,603	272,444	862,047
Intersegment revenue	(7,090)	-	(7,090)
External revenue	582,513	272,444	854,957
For the three months period from July 1 to September 30, 2020 (Un-audited)			
Segment revenue	185,536	104,887	290,423
Intersegment revenue	(2,200)	-	(2,200)
External revenue	183,336	104,887	288,223
As of September 30, 2020 (Un-audited)			
Total assets	1,422,069	477,507	1,899,576
Total liabilities	1,175,761	132,932	1,308,693
As of September 30, 2020 (Un-audited)			
Segment assets	3,129,741	592,583	3,722,324
Consolidated adjustments	(1,707,672)	(115,076)	(1,822,748)
Total assets	1,422,069	477,507	1,899,576
Segment liabilities	1,717,601	455,361	2,172,962
Consolidated adjustments	(541,840)	(322,429)	(864,269)
Total liabilities	1,175,761	132,932	1,308,693

TAKWEEN ADVANCED INDUSTRIES COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

10. SEGMENTAL INFORMATION (Continued)

	Disposable polystyrene cups, lids, other plastic-related products and others	Non-woven fabrics	Total
	SR '000	SR '000	SR '000
2019			
For the nine months ended September 30, 2019 (Un-audited)			
External revenue	733,734	203,557	937,291
Finance charges	37,258	8,496	45,754
Depreciation and amortization	56,508	22,779	79,287
Loss before zakat and income tax	(40,561)	(13,986)	(54,547)
For the three months period from July 1 to September 30, 2019 (Un-audited)			
External revenue	250,405	64,267	314,672
Finance charges	13,607	3,171	16,778
Depreciation and amortization	20,603	6,909	27,512
Loss before zakat and income tax	(20,126)	(8,929)	(29,055)
For the nine months ended September 30, 2019 (Un-audited)			
Segment revenue	737,500	203,557	941,057
Intersegment revenue	(3,766)	-	(3,766)
External revenue	733,734	203,557	937,291
For the three months period from July 1 to September 30, 2019 (Un-audited)			
Segment revenue	251,776	64,267	316,043
Intersegment revenue	(1,371)	-	(1,371)
External revenue	250,405	64,267	314,672
As of December 31, 2019 (audited)			
Total assets	1,465,072	501,337	1,966,409
Total liabilities	1,246,115	127,380	1,373,495
As of September 30, 2019 (Un-audited)			
Total assets	1,591,373	532,126	2,123,499
Total liabilities	1,328,586	162,297	1,490,883

TAKWEEN ADVANCED INDUSTRIES COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

10. SEGMENTAL INFORMATION (Continued)

	Disposable polystyrene cups, lids, other plastic-related products and others	Non-woven fabrics	Total
	SR '000	SR '000	SR '000
As of December 31, 2019 (audited)			
Segment assets	2,939,120	534,624	3,473,744
Consolidated adjustments	(1,474,048)	(33,287)	(1,507,335)
Total assets	1,465,072	501,337	1,966,409
Segment liabilities	1,504,403	435,010	1,939,413
Consolidated adjustments	(258,288)	(307,630)	(565,918)
Total liabilities	1,246,115	127,380	1,373,495
As of September 30, 2019 (Un-audited)			
Segment assets	3,143,441	570,248	3,713,689
Consolidated adjustments	(1,552,068)	(38,122)	(1,590,190)
Total assets	1,591,373	532,126	2,123,499
Segment liabilities	1,651,514	464,458	2,115,972
Consolidated adjustments	(322,928)	(302,161)	(625,089)
Total liabilities	1,328,586	162,297	1,490,883

The Group's operations are conducted in Saudi Arabia, and the Arab Republic of Egypt. Selected financial information for the period / year then ended summarized by geographic area, was as follows:

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
2020			
For the nine months period ended September 30, 2020 (Un-audited)			
External revenue	826,028	28,929	854,957
Finance charges	36,049	262	36,311
Depreciation and amortization	73,555	1,498	75,053
Loss before zakat and income tax	(104)	(2,514)	(2,618)
For the three months period from July 1 to September 30, 2020 (Un-audited)			
External revenue	281,812	6,411	288,223
Finance charges	10,847	58	10,905
Depreciation and amortization	24,618	526	25,144
Income (loss) before zakat and income tax	6,223	(80)	6,143

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

10. SEGMENTAL INFORMATION (Continued)

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
For the nine months period ended September 30, 2020 (Un-audited)			
Segment revenue	833,118	28,929	862,047
Intersegment revenue	(7,090)	-	(7,090)
External revenue	826,028	28,929	854,957
For the three months period from July 1 to September 30, 2020 (Un-audited)			
Segment revenue	284,012	6,411	290,423
Intersegment revenue	(2,200)	-	(2,200)
External revenue	281,812	6,411	288,223
As of September 30, 2020 (Un-audited)			
Total assets	1,831,304	68,272	1,899,576
Total liabilities	1,296,970	11,723	1,308,693
As of September 30, 2020 (Un-audited)			
Segment assets	3,653,227	69,097	3,722,324
Consolidated adjustments	(1,821,923)	(825)	(1,822,748)
Total assets	1,831,304	68,272	1,899,576
Segment liabilities	2,135,620	37,342	2,172,962
Consolidated adjustments	(838,650)	(25,619)	(864,269)
Total liabilities	1,296,970	11,723	1,308,693
	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000

2019

For the nine months ended September 30, 2019 (Un-audited)

External revenue	882,142	55,149	937,291
Finance charges	44,834	920	45,754
Depreciation and amortization	78,073	1,214	79,287
(Loss) income before zakat and income tax	(55,183)	636	(54,547)

For the three months period from July 1 to September 30, 2019 (Un-audited)

External revenue	297,379	17,293	314,672
Finance charges	16,385	393	16,778
Depreciation and amortization	27,067	445	27,512
Loss before zakat and income tax	(28,830)	(225)	(29,055)

TAKWEEN ADVANCED INDUSTRIES COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

10. SEGMENTAL INFORMATION (Continued)

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
For the nine months ended September 30, 2019 (Un-audited)			
Segment revenue	885,908	55,149	941,057
Intersegment revenue	(3,766)	-	(3,766)
External revenue	882,142	55,149	937,291
For the three months period from July 1 to September 30, 2019 (Un-audited)			
Segment revenue	298,750	17,293	316,043
Intersegment revenue	(1,371)	-	(1,371)
External revenue	297,379	17,293	314,672
As of December 31, 2019 (audited)			
Total assets	1,896,810	69,599	1,966,409
Total liabilities	1,361,916	11,579	1,373,495
As of September 30, 2019 (Un-audited)			
Total assets	2,040,478	83,021	2,123,499
Total liabilities	1,476,728	14,155	1,490,883
As of December 31, 2019 (audited)			
Segment assets	3,403,432	70,312	3,473,744
Consolidated adjustments	(1,506,622)	(713)	(1,507,335)
Total assets	1,896,810	69,599	1,966,409
Segment liabilities	1,902,786	36,627	1,939,413
Consolidated adjustments	(540,870)	(25,048)	(565,918)
Total liabilities	1,361,916	11,579	1,373,495
As of September 30, 2019 (Un-audited)			
Segment assets	3,629,956	83,733	3,713,689
Consolidated adjustments	(1,589,478)	(712)	(1,590,190)
Total assets	2,040,478	83,021	2,123,499
Segment liabilities	2,071,643	44,329	2,115,972
Consolidated adjustments	(594,915)	(30,174)	(625,089)
Total liabilities	1,476,728	14,155	1,490,883

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

11. EARNINGS (LOSS) PER SHARE

Basic loss per share is calculated by dividing the earnings (loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. With regard to diluted earnings (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, if any. Earnings (loss) per share are represented as follows:

	From July 1 to September 30 2020		From January 1 to September 30 2019	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Basic and dilutive earnings (loss) per share (SR)	0.06	(0.3)	(0.03)	(0.57)
Earnings (loss) for the period (SR '000)	6,143	(28,768)	(2,618)	(54,348)
Weighted average number of outstanding shares	95,000,000	95,000,000	95,000,000	95,000,000

12. CONTINGENCIES AND COMMITMENTS

The Group had the following contingencies and commitments:

	September 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Letters of credit	513	32,149
Letters of guarantee and others	2,185	2,404
Capital commitments against purchase of property, plant and equipment	40,319	41,830

13. SIGNIFICANT EVENT

In March 2020, the Kingdom of Saudi Arabia announced a global pandemic due to the novel coronavirus (COVID-19). The impact of outbreak and long hours of curfew has caused a significant change in business activities and increase in economy uncertainty. The Group proactively took a range of operational preventive measures in response to the situation by modifying certain operations to comply with health and safety guidelines to protect employees, customers and suppliers, secure smooth supply chain process to avoid any business interruption benefiting from all supports announced by the Government for the private sectors.

Management believes that the Covid-19 pandemic had no major impact on the Group reported results for the period ended September 2020 due to the steps taken by the company and the diversification of its portfolio, the company will continue to assess this situation moving forward.

14. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors for issuance on October 28, 2020 corresponding to Rabi Al-Awwal 11, 1442H.