

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (Unaudited)**
**FOR THE THREE AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 2023**
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

INDEX	PAGE
Independent auditor's review report on the condensed consolidated interim financial statements	1
Consolidated interim statement of financial position	2
Consolidated interim statement of profit or loss and other comprehensive income	3
Consolidated interim statement of changes in equity	4
Consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6 – 14



PKF

**Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SAUDI PAPER MANUFACTURING COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying consolidated interim statement of financial position of Saudi Paper Manufacturing Company (the "Company"), a Saudi joint stock Company and its subsidiaries (collectively referred to as the "Group") as of September 30, 2023, the related consolidated interim statement of profit or loss and other comprehensive income for the three and nine months periods then ended, the consolidated interim statements of changes in equity and cash flows for the nine months period then ended and 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.

For Al-Bassam & Co.

Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337
Khobar: 14 Rabi II 1445H
Corresponding to: 29 October 2023



RIYADH

Tel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH

Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454

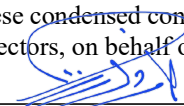
AL KHOBAR

Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar 31952

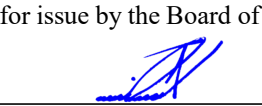
SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023

	Note	September 30, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	4, 12	574,582,053	567,962,634
Right of use assets	4	10,972,949	11,600,915
Intangible assets		23,752,096	24,421,136
Investment in an associate		23,280,441	25,120,051
Total non-current assets		632,587,539	629,104,736
Current assets			
Inventories		125,718,408	114,740,894
Trade receivables	5	201,034,679	158,533,533
Advances, prepayments and other assets		94,064,775	40,347,234
Cash and cash equivalents		23,938,209	115,383,116
Total current assets		444,756,071	429,004,777
TOTAL ASSETS		1,077,343,610	1,058,109,513
EQUITY AND LIABILITIES			
Equity			
Share capital	1	337,000,000	337,000,000
Statutory reserve	11	8,046,938	8,046,938
Translation reserve		(6,382,601)	(6,106,593)
Actuarial reserves		(1,434,127)	(1,434,127)
Retained earnings		115,933,171	63,816,007
Equity attributable to the shareholders of the Company		453,163,381	401,322,225
Non-controlling interest		1,278,658	978,022
Total equity		454,442,039	402,300,247
LIABILITIES			
Non-current liabilities			
Medium and long term loans	6	195,254,940	261,031,603
Employees' end of service benefits		24,041,624	23,174,062
Lease liabilities – non current portion		7,403,205	7,955,352
Total non-current liabilities		226,699,769	292,161,017
Current liabilities			
Short-term loans	6	140,617,690	148,907,553
Medium and long term loans – current portion	6	90,865,509	81,490,819
Trade payables		100,979,872	74,204,911
Accrued expenses and other liabilities		47,703,548	39,644,552
Provision for zakat	13	12,552,450	15,143,728
Lease liabilities – current portion		3,482,733	4,256,686
Total current liabilities		396,201,802	363,648,249
Total liabilities		622,901,571	655,809,266
TOTAL EQUITY AND LIABILITIES		1,077,343,610	1,058,109,513

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on October 25, 2023.


Khalid Walid Abo Hana
Chief Financial Officer


Youssef Abdel Hamid Abdel Aziz El Bishry
Chief Executive Officer


Abdullah Abdul Rahman Al-Kharashi
Chairman

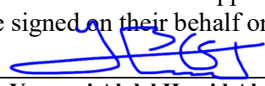
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

	Note	From July 1 to September 30		From January 1 to September 30	
		2023 (Un-audited) SR	2022 (Un-audited) SR	2023 (Un-audited) SR	2022 (Un-audited) SR
Revenue	8	195,492,719	161,634,522	614,949,557	502,618,306
Cost of revenue		(128,222,506)	(122,955,317)	(431,370,392)	(374,339,571)
Gross profit		67,270,213	38,679,205	183,579,165	128,278,735
General and administrative expenses		(15,289,059)	(11,588,177)	(40,974,381)	(39,888,534)
Selling and distribution expenses		(18,425,322)	(12,441,687)	(54,700,786)	(44,742,482)
Allowance for impairment of trade receivables	5	(1,872,547)	(1,833,075)	(6,173,953)	(5,326,445)
Share in profit of an associate		977,654	1,122,964	2,320,390	2,676,964
Other income		953,796	801,643	2,319,995	21,329,290
Other expenses		(67,971)	(874,110)	(157,650)	(998,386)
Profit before finance charges and zakat		33,546,764	13,866,763	86,212,780	61,329,142
Finance charges	6,8	(10,104,499)	(7,311,001)	(30,168,996)	(19,292,011)
Profit before zakat		23,442,265	6,555,762	56,043,784	42,037,131
Zakat		(875,651)	(382,398)	(3,593,350)	(1,397,194)
Net profit for the period		22,566,614	6,173,364	52,450,434	40,639,937
<u>Other comprehensive income (loss)</u>					
<i>Item that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		(367,385)	977,530	(308,642)	360,925
Other comprehensive (loss) income for the period		(367,385)	977,530	(308,642)	360,925
Total comprehensive income for the period		22,199,229	7,150,894	52,141,792	41,000,862
Net profit attributable to:					
Shareholders of the Company		22,422,204	6,207,451	52,117,164	40,567,286
Non-controlling interest		144,410	(34,087)	333,270	72,651
Net profit for the period		22,566,614	6,173,364	52,450,434	40,639,937
Total comprehensive income attributable to:					
Shareholders of the Company		22,066,074	7,098,567	51,841,156	40,827,525
Non-controlling interest		133,155	52,327	300,636	173,337
Total comprehensive income for the period		22,199,229	7,150,894	52,141,792	41,000,862
Earnings per share (SR) attributable to shareholders of the company					
Basic and diluted earnings per share	9	0.67	0.22	1.55	1.47

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on October 25, 2023.


Khafid Walid Abo Hana
Chief Financial Officer


Yousseri Abdel Hamid Abdel
Aziz El Bishry
Chief Executive Officer



Abdullah Abdul Rahman
Al-Kharashi
Chairman

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


SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

	Equity attributable to the shareholders of the Company							
	Share capital SR	Statutory reserve SR	Translation reserve SR	Actuarial reserve SR	Retained earnings SR	Total SR	Non-controlling interest SR	Total equity SR
As at January 1, 2022 (audited)	192,000,000	3,357,444	(6,803,818)	(764,453)	24,771,851	212,561,024	1,024,586	213,585,610
Net profit for the period	-	-	-	-	40,567,286	40,567,286	72,651	40,639,937
Other comprehensive income for the period	-	-	260,239	-	-	260,239	100,686	360,925
Total comprehensive income for the period	-	-	260,239	-	40,567,286	40,827,525	173,337	41,000,862
Dividend paid	-	-	-	-	-	-	(300,067)	(300,067)
As at September 30, 2022 (un-audited)	192,000,000	3,357,444	(6,543,579)	(764,453)	65,339,137	253,388,549	897,856	254,286,405
As at January 1, 2023 - (audited)	337,000,000	8,046,938	(6,106,593)	(1,434,127)	63,816,007	401,322,225	978,022	402,300,247
Net profit for the period	-	-	-	-	52,117,164	52,117,164	333,270	52,450,434
Other comprehensive loss for the period	-	-	(276,008)	-	-	(276,008)	(32,634)	(308,642)
Total comprehensive (loss) income for the period	-	-	(276,008)	-	52,117,164	51,841,156	300,636	52,141,792
As at September 30, 2023 (un-audited)	337,000,000	8,046,938	(6,382,601)	(1,434,127)	115,933,171	453,163,381	1,278,658	454,442,039

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on October 25, 2023.


Khalid Wālid Abo Hana
Chief Financial Officer


Youssef Abdel Hamid Abdel Aziz El Bishry
Chief Executive Officer

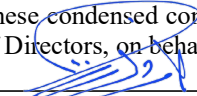

Abdullah Abdul Rahman Al-Kharashi
Chairman

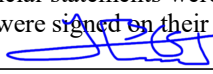
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

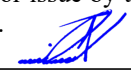
SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

	Nine months period ended	
	September 30, 2023 (Un-audited) SR	September 30, 2022 (Un-audited) SR
Cash flow from operating activities		
Net profit for the period	52,450,434	40,639,937
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	38,597,475	36,308,157
Depreciation of right of use assets	4,102,398	3,454,921
Finance charges	30,168,996	19,292,011
Allowance for impairment of trade receivables	6,173,953	5,326,445
Zakat expense	3,593,350	1,397,194
Share in profit of an associate	(2,320,390)	(2,676,964)
(Reversal) /allowance for slow moving inventories	(826,432)	45,320
Amortization of intangible assets	894,040	1,532,954
Provision for employees' end of service benefits	1,601,969	3,926,262
Gain on disposal of property, plant and equipment	(263,041)	(18,967,515)
	134,172,752	90,278,722
<i>Changes in operating assets and liabilities:</i>		
Trade receivables	(48,675,099)	(2,415,653)
Inventories	(10,151,082)	(14,140,698)
Advances, prepayments and other assets	(53,717,541)	(10,125,468)
Short term deposits	-	34,000,000
Trade payables	30,934,961	(3,722,880)
Accrued expenses and other liabilities	8,058,996	6,336,292
Cash generated from operations	60,622,987	100,210,315
Finance charges paid	(23,456,752)	(16,245,322)
Zakat paid	(6,184,628)	(2,845,986)
Employees' end of service benefits paid	(734,407)	(1,918,247)
Net cash generated from operating activities	30,247,200	79,200,760
Cash flow from investing activities		
Additions to property, plant and equipment	(45,314,045)	(9,984,976)
Proceeds from disposal of property, plant and equipment	263,041	24,762,375
Additions to intangible assets	(225,000)	(159,955)
Net cash (used in) generated from investing activities	(45,276,004)	14,617,444
Cash flow from financing activities		
Repayment of medium and long term loans	(60,881,198)	(53,955,849)
Change in short term loans, net	(10,343,739)	(1,549,511)
Lease payments	(5,001,893)	(3,728,477)
Dividend paid to non controlling interest	-	(300,067)
Net cash used in financing activities	(76,226,830)	(59,533,904)
Net change in cash and cash equivalents	(91,255,634)	34,284,300
Cash and cash equivalents at the beginning of the period	115,383,116	43,068,386
Effect of exchange rate fluctuations	(189,273)	437,515
Cash and cash equivalents at the end of the period	23,938,209	77,790,201
Cash flow supplemental information	10	

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on October 25, 2023.


Khalid Walid Abo Hana
Chief Financial Officer


Youssef Abdel Hamid Abdel
Aziz El Bishry
Chief Executive Officer


Abdullah Abdul Rahman
Al-Kharashi
Chairman

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

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Paper Manufacturing Company (“the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2050028141 issued in Dammam on Muharram 10, 1415H (June 20, 1994). The Company’s share capital is SR 337 million divided into 33.7 million shares of SR 10 each.

The principal activities of the Company and its subsidiaries (the “Group”), each of which operates under individual commercial registration, are to manufacture tissue paper rolls, convert tissue paper rolls into facial, kitchen and toilet tissue papers and collect, sort, transport and press waste papers.

The Company’s registered office is P.O. Box 2598, Unit number 2, Dammam 34326-7169, the Kingdom of Saudi Arabia.

On October 18, 2021, the Company announced the Board recommendation to increase the share capital of the Company by SR 145 million by way of right issue to support the expansion activities and provide working capital to increase operational capacity and support the future activities. On October 18, 2022, the Company increased its share capital through right issue by SR 145 million by offering 14.5 million shares which were fully subscribed. All the legal formalities related to increase of share capital were completed in 2022.

1.1 Structure of the group

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

Subsidiary	Country of incorporation	Effective ownership	
		September 2023	December 2022
Saudi Recycling Company	Saudi Arabia	100%	100%
Saudi Paper Converting Company	Saudi Arabia	100%	100%
Saudi Investment and Industrial Development Company	Saudi Arabia	100%	100%
Al Madar Paper Trading	Morocco	100%	100%
Al Madar Paper Trading	Jordan	100%	100%
Saudi Paper Converting Company Jordan	Jordan	100%	100%
Al Madar Paper	Algeria	100%	100%
Morocco Paper Manufacturing Company	Morocco	100%	100%
Al - Juthoor Paper Tissue Manufacturing Plant	Kuwait	85%	85%

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed consolidated interim financial statements for the three and nine months period ended September 30, 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. The accompanying condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and hence should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2022. In addition, results for the nine-month ended September 30, 2023 are not necessarily indicative of the expected results for the full year ending December 31, 2023.

2. BASIS OF PREPARATION (Continued)

2.2 Preparation of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements are prepared under the historical cost convention, except where International Financial Reporting Standards (IFRSs) require other measurement basis. The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022.

The preparation of these condensed consolidated interim financial statements in conformity with IFRSs 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.

2.3 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the "Group" as detailed in note 1.1. Control is achieved when the Group:

- 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.

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 period are included in the consolidated 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.

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

Consolidated interim statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and non- controlling interest. Total comprehensive income of subsidiaries is wholly attributed to the shareholders of the Company except the comprehensive income of Al – Juthoor subsidiary.

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.

3.2 Changes in significant accounting policies

New standards, Amendments to standards and Interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2023 and has been explained in Group’s annual Consolidated Financial Statements, but they do not have a material effect on the Group’s Condensed Consolidated Interim Financial Statements.

4. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

The Group acquired property, plant and equipment in nine months period ended September 30, 2023 amounting to SR 45.31 million (September 30, 2022: SR 9.98 million). Additions in right of use assets during the nine months period ended September 30, 2023 is amounting SR 3.5 million (September 30, 2022: 0.3 million).

During the period ended September 30, 2022, the Group sold a piece of land and building with value of SR 24.7 million and recognized a gain on disposal by SR 18.9 million. The carrying value of land and building on date of disposal was SR 5.8 million.

5. TRADE RECEIVABLES

		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
	Note	SR	SR
Trade receivables		263,629,787	214,954,688
Allowance for impairment of trade receivables	5.1	(62,595,108)	(56,421,155)
		201,034,679	158,533,533

5.1 The movement in allowance for impairment of trade receivables is as follows:

	September 30, 2023	December 31, 2022
	(Un-audited)	(Audited)
	SR	SR
Opening balance	56,421,155	53,266,883
Allowance for the period /year	6,173,953	8,549,170
Write offs during the period /year	-	(5,394,898)
	62,595,108	56,421,155

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

6. LOANS

a) Medium and long-term loans

		September 30, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Saudi Industrial Development Fund (“SIDF”) loans	6.1	-	5,725,031
Commercial bank loans	6.2	286,120,449	336,797,391
		286,120,449	342,522,422
Current maturity of long term loans		(90,865,509)	(81,490,819)
		195,254,940	261,031,603

The covenants of the loan agreements require the Company and its subsidiary to maintain certain levels of financial condition, place limitations on dividend distributions, on capital expenditures and rental estate investments.

These bank loans are secured against promissory notes amounting to SR 842.7 million (2022: SR 710.6 million).

6.1 SIDF loans

These loans were obtained from SIDF by the Company. The loans did not bear financial charges, however, an upfront fee is charged on the loan and these are secured by mortgaged on property, plant and equipment of the Company equal to the carrying amount of the loan.

The loan agreement include a right of prepayment option (early repayment), that could be exercised at any time throughout the loan period. The management had not exercised the prepaid option and had assessed that the requirement to separate the prepayment option (i.e. embedded derivative) from the loan amount was not applicable. This was due to the fact that the economic characteristics and risks of the prepayment option is closely related to the economic characteristics and risks of the loan contract. SIDF loans were fully repaid during the period ended September 30, 2023.

6.2 Commercial bank loans

The Group has obtained loan facilities from various commercial banks. These loans are mainly denominated in Saudi Riyals which generally bear financial charges based on prevailing market rates. The aggregate maturities of the loans outstanding at September 30, 2023, based on their respective repayment schedules, are spread in 2023 through 2027.

b) Short term loans

Short term loans are obtained from various commercial banks and bear financial charges at the prevailing market rates which are based on inter-bank offer rate.

7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties consist of subsidiaries, affiliates and Board of Directors and key management personnel of the Group. In the ordinary course of business, the Group transacts with its related parties. Such transactions relate to services rendered and received and expenses incurred on behalf of related parties. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Group’s management.

Key management personnel compensation

	September 30, 2023 (Un-audited) SR	September 30, 2022 (Un-audited) SR
Short-term employees benefits	5,429,177	4,942,157
BOD and related committees remuneration	1,904,247	1,410,997
Employees’ end of service benefits	305,485	336,417

Payable balance to key management personnel as of period end amounted to SR 6.1 million (December 31, 2022 SR 4.53 million).

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties transactions

During the period ended September 30, the Company had the following significant transactions with its related parties:

Related party	Relationship	Nature of transaction	Transaction during the nine months period SR	Balance as at September 30, SR
2023:				
East Gas Limited	Associate	Purchase of gas	6,171,391	3,125,633
		Dividend	4,160,000	
2022:				
East Gas Limited	Associate	Purchase of gas	4,751,512	1,850,062

8. OPERATING SEGMENTS

a. Basis for segmentation

The Group has the following strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment that met the quantitative thresholds for reportable segments in 2023 and 2022.

Reportable segments	Operations
Manufacturing	Buying, manufacturing and distributing pulp and paper
Trading and other	Collecting, sorting and pressing waste papers

Chief Executive Officer (CEO) of the Company is the Chief Operating Decision Maker (CODM) of the Group. CEO reviews the internal management reports of each division at least quarterly.

There are varying levels of integration between the both the segments. This integration includes transfers of recycled raw materials and shared distribution services, respectively. Intra and inter-segment pricing is determined on an arm's length basis.

b. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) before zakat is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Nine months period ended September 30, 2023 (Un-audited)	Reportable segments		Total SR
	Manufacturing SR	Trading and others SR	
Segment revenue	748,526,523	40,070,294	788,596,817
Intra /inter segment revenue	(157,025,969)	(16,621,291)	(173,647,260)
External revenue	591,500,554	23,449,003	614,949,557
Finance charges	28,965,257	1,203,739	30,168,996
Depreciation and amortization	41,737,936	1,855,977	43,593,913
Net profit (loss) before zakat	58,312,558	(2,268,774)	56,043,784
Segment assets	1,045,251,436	32,092,174	1,077,343,610
Segment liabilities	578,697,842	44,203,729	622,901,571

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

8. OPERATING SEGMENTS (Continued)

Nine months period ended September 30, 2022 (Un-audited)	Reportable segments		
	Manufacturing SR	Trading and others SR	Total SR
	Segment revenue	578,369,322	68,410,375
Intra /inter segment revenue	(127,618,456)	(16,542,935)	(144,161,391)
External revenue	450,750,866	51,867,440	502,618,306
Finance charges	18,240,426	1,051,585	19,292,011
Depreciation and amortization	40,067,623	1,228,409	41,296,032
Net profit before zakat	12,753,713	29,283,418	42,037,131

Three months period ended September 30, 2023 (Un-audited)	Reportable segments		
	Manufacturing SR	Trading and others SR	Total SR
	Segment revenue	236,415,508	14,183,464
Intra /inter segment revenue	(49,291,229)	(5,815,024)	(55,106,253)
External revenue	187,124,279	8,368,440	195,492,719
Finance charges	9,712,922	391,577	10,104,499
Depreciation and amortization	14,531,127	562,530	15,093,657
Net profit (loss) before zakat	24,671,995	(1,229,730)	23,442,265

Three months period ended September 30, 2022 (Un-audited)	Reportable segments		
	Manufacturing SR	Trading and others SR	Total SR
	Segment revenue	200,822,606	20,222,495
Intra /inter segment revenue	(51,373,940)	(8,036,639)	(59,410,579)
External revenue	149,448,666	12,185,856	161,634,522
Finance charges	6,947,399	363,602	7,311,001
Depreciation and amortization	13,650,215	415,637	14,065,852
Net profit before zakat	3,835,263	2,720,499	6,555,762

Year ended December 31, 2022 (Audited)	Reportable segments		
	Manufacturing SR	Trading and others SR	Total SR
	Segment assets	1,019,641,386	38,468,127
Segment liabilities	609,637,668	46,171,598	655,809,266

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

8. OPERATING SEGMENTS (Continued)

c. Geographic information

The business of the Group is managed on a worldwide basis. However, the main operations are settled in Kingdom of Saudi Arabia, certain Gulf Cooperation Council (GCC) countries and certain other countries.

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries.

**Nine months period ended
September 30, 2023**

	Reportable segments		
Revenue	Manufacturing	Trading and others	Total
Saudi Arabia	535,490,058	393,110	535,883,168
GCC countries	40,312,234	199,617	40,511,851
Other countries	15,698,262	22,856,276	38,554,538
Consolidated revenue	591,500,554	23,449,003	614,949,557

**Nine months period ended
September 30, 2022**

	Reportable segments		
Revenue	Manufacturing	Trading and others	Total
Saudi Arabia	404,282,882	8,835,771	413,118,653
GCC countries	32,395,381	1,085,448	33,480,829
Other countries	14,072,603	41,946,221	56,018,824
Consolidated revenue	450,750,866	51,867,440	502,618,306

**Three months period
ended September 30, 2023**

	Reportable segments		
Revenue	Manufacturing	Trading and others	Total
Saudi Arabia	167,772,593	114,615	167,887,208
GCC countries	14,482,049	199,617	14,681,666
Other countries	4,869,637	8,054,208	12,923,845
Consolidated revenue	187,124,279	8,368,440	195,492,719

**Three months period
ended September 30, 2022**

	Reportable segments		
Revenue	Manufacturing	Trading and others	Total
Saudi Arabia	132,747,097	1,988,827	134,735,924
GCC countries	9,932,240	-	9,932,240
Other countries	6,769,329	10,197,029	16,966,358
Consolidated revenue	149,448,666	12,185,856	161,634,522

As of period / year end

	September 30, 2023	December 31, 2022	September 30, 2022
	(Un-audited)	(Audited)	(Un-audited)
	SR	SR	SR
- Non-current assets			
Saudi Arabia	588,008,958	585,156,075	518,385,408
GCC countries	34,088,125	35,185,075	35,470,012
Other countries	10,490,456	8,763,586	9,898,076
Consolidated non-current assets	632,587,539	629,104,736	563,753,496

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Earnings per share are represented as follows:

	From July 1 to September 30		From January 1 to September 30	
	2023	2022	2023	2022
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net profit for the period (SR)	22,422,204	6,207,451	52,117,164	40,567,286
Weighted average number of outstanding shares	33,700,000	27,690,728	33,700,000	27,690,728
Basic/ diluted earnings per share (SR)	0.67	0.22	1.55	1.47

10. SUPPLEMENTAL CASHFLOW INFORMATION

	September 30, 2023	September 30, 2022
	(Un-audited)	(Un-audited)
	SR	SR
Dividend from associate adjusted with balance due to associate	4,160,000	-
Right of use assets	3,496,650	309,141

11. STATUTORY RESERVE

Statutory reserve is computed based on results of the whole year. Accordingly, no transfer to statutory reserve is made in the nine months period ended September 30, 2023.

12. CONTINGENCIES AND COMMITMENTS

- As of September 30, 2023, the Group was contingently liable for letter of credits and bank guarantees issued in the normal course of the business amounting to SR 35.82 million (December 31, 2022: SR 39.25 million) and SR 0.663 million (December 31, 2022: SR 0.646 million) respectively.
- As of September 30, 2023, the Group capital expenditure contracted amounted to SR 165.9 million (Period ended September 30, 2022: SR 67.2 million).

13. SIGNIFICANT EVENT

During the year ended December 31, 2020, the Company received assessments from Zakat, Tax and Custom Authority (ZATCA) for the years 2014 to 2018 claiming additional liability amounting to SR 36.1 million. In 2020, the Company filed an objection related to 2014 assessment claim of SR 9.2 million which was settled by SR 0.48 million and accordingly, the company received the final assessment. For the assessments received related to years 2015 to 2018 amounting to SR 26.9 million, the Company paid SR 1 million and filed an objection against the remaining amount of SR 25.9 million.

During the period ended September 30, 2023, the company has received the final assessment from ZATCA for the years 2015 to 2018 with final liability of SR 10.4 million. The Company had already recorded the required provision previously. Further, during the period the Company has settled SR 2.1 million related to the assessment and agreed to settle the remaining amount in equal monthly instalments till September 2024.

Furthermore, subsequent to the period end, the company has received initial assessment from ZATCA for the years 2019 and 2020 claiming additional liability of SR 1.5 million and SR 3.9 million respectively. The Company is currently reviewing the initial assessment.

14. SUBSEQUENT EVENT

Subsequent to the period end, the Company entered into an agreement amounting SR 20.6 million for construction of building facility for its fifth production line.

SAUDI PAPER MANUFACTURING COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2023**

15. RECLASSIFICATION

Certain comparative figures have been reclassified in order to conform to the presentation of the current period. However, the effect of those reclassifications is not significant.

16. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company and authorized for issue on October 25, 2023 corresponding to 10 Rabi II 1445H.