

# Value Built on Values



Annual Report 2015



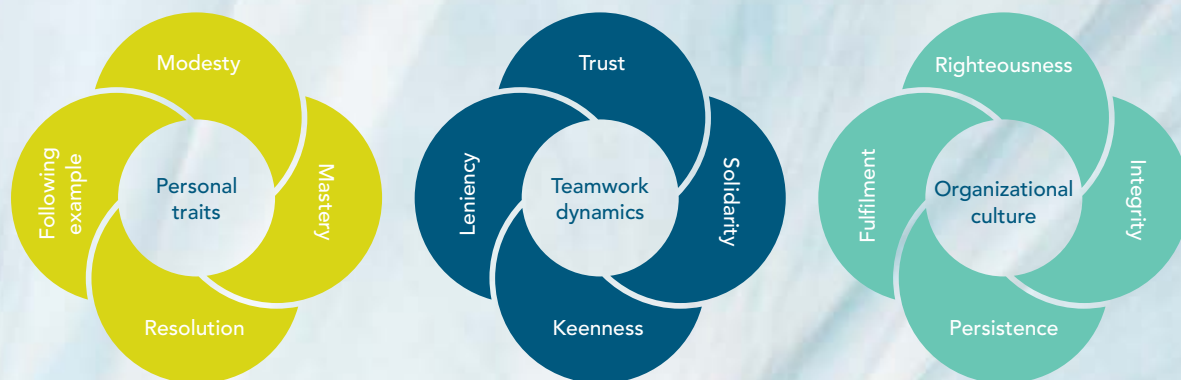
# Value Built on Values

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Savola has continually grown and evolved over the years, crossing many national borders and impacting millions of lives across the MENAT region.

Our values have driven us forward during the good times, and protected us in lean years. We have always believed that the way we conduct business, and the core values we hold dear, are the crucial pillars of our success.

From our strong financial foundations, we strive to create value for shareholders and investors, for employees and their families, and for all the communities in which we operate.





# Value Together

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## STRATEGIC AND FINANCIAL HIGHLIGHTS

Savola's 2015 results reflect the challenging market environment that prevailed for most of the year, dominated by difficult economic conditions in key markets, global oversupply in sugar, and foreign exchange restrictions and fluctuations.

Nevertheless, there were many encouraging aspects to the year's performance. Branded oil products performed well and the retail sector sustained its rapid expansion, despite suppressed consumer spending. Savola was also able to successfully sell its entire shareholding in Savola Packaging Systems Company in 2015 at a sale price of SAR 910 million, and generate capital gain of SAR 265 million. Savola recorded net profit of SAR 1.792 billion for the year 2015.

In line with Savola's strategy of focusing on the core food and retail sectors, optimizing returns from the Group's operating companies and non-managed investments, several initiatives were undertaken during the year.

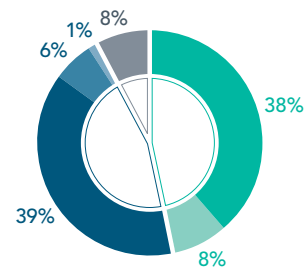
Savola made significant progress in the transition to become a strategic investment group, always seeking to add long-term value as we pursue sustainable growth by building on proven strengths.

Savola Foods entered into a joint venture with the global seafood leader Thai Union, beginning with a regional launch of the famous John West brand. Panda Retail also began expansion into Egypt with the opening of the first Panda supermarket in Cairo.

### Net income breakdown by sector, 2015

SAR millions

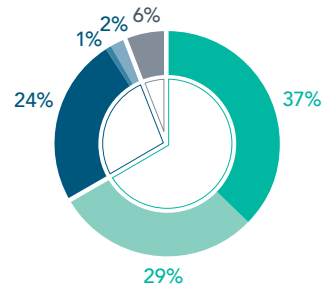
Operating companies	
Savola Foods	687.6
Panda Retail	146.4
Strategic non-managed investments	
Almarai	700
Herfy	99
Kinan	20
Other investments	139



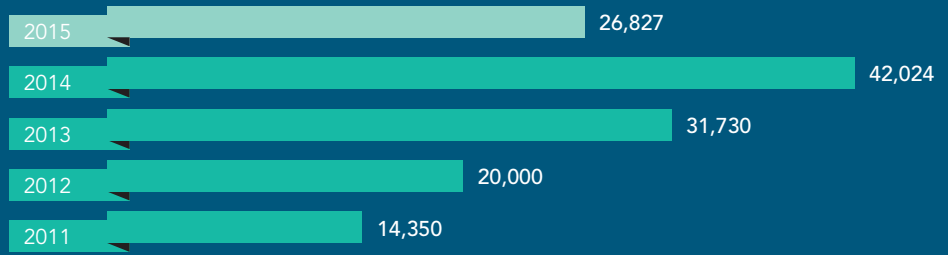
### Total assets breakdown by sector, 2015

SAR millions

Operating companies	
Savola Foods	10,103
Panda Retail	7,814
Strategic non-managed investments	
Almarai	6,363
Herfy	392
Kinan	617
Other investments	1,746



**Market capitalization**  
SAR millions



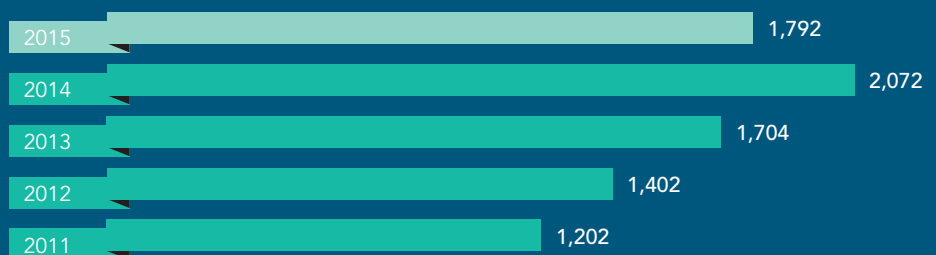
**Shareholders' equity**  
SAR millions



**Total assets**  
SAR millions



**Net income**  
SAR millions



# Focused on core sectors

**It gives me great pleasure, on behalf of the Board of Directors, to present the Savola Group's 2015 annual report. The Group's achievements, accomplishments, and overall performance, and that of its subsidiaries and sectors, are detailed in the following pages. The report also outlines the Group's strategic direction and details financial aspects and indicators, corporate governance practices, related disclosures, corporate social responsibility programs, and human resources.**

In years to come, 2015 will be remembered as a landmark year for Savola, even if the financial results did not reach the impressive levels so typical of our company over its 37-year history since establishment in 1979.

The year's significance lies in earlier strategic decisions and the progress made in our transition to becoming a strategic investment holding company. Although this shift has been in process for some time, 2015 marked a major step towards realizing our ambition. In accordance with that direction, the Board of Directors and executive management continued their efforts to implement this strategic investment holding company model. This is through implementing and applying strategy and growth management policies, as well as being responsible for the operating companies' results in performance and decision-making, in light of Group strategy, level of authority, and corporate governance guidelines that govern the relationship between the Group and its operating companies.

Our strategic non-managed investments, such as Almarai and Herfy, will continue to make a valuable contribution to Group profitability and Savola will look to add value through its representation on the boards of directors of these entities.

At the heart of our strategic direction is the principle of leveraging our strengths in food and retail. As custodian of the strategy, the holding company will evaluate territories for potential expansion and their investment environment, shaping and driving the strategic decision-making. In addition, the holding company is responsible for oversight, in light of corporate governance mechanisms approved by the Board of Directors.

Although sustained growth is integral to our strategy, whether by product category or geography, mergers or acquisitions, our core policy is to concentrate on adding value. Every decision is evaluated against that criterion.

At operating company level, Savola Foods is looking to leverage on its brands' strength and distribution capabilities to gradually move away from dependence on commodities to higher-value categories and branded products.

The Group, through Panda Retail, is maintaining its leading position in the retail sector, depending on broad local and regional spread, serving the widest range of consumers, and providing its services through different types of stores. Panda Retail continues to expand.

As execution of our strategy gathers momentum, we are confident that Savola has the skills and resources to take us into a new era of growth and opportunity at both the Group and operating company levels. We have competent management and employees, very sound underlying financials, and a strong corporate culture.

Turning to our 2015 results, net profit totaled SAR 1.79 billion, compared to SAR 2.07 billion a year earlier, a decline mainly attributable to the challenging market conditions detailed in this report.



## The year's significance lies in earlier strategic decisions and the progress made in our transition to becoming a strategic investment holding company.

A dividend distribution of SAR 266.99 million is recommended by the Board of Directors for the fourth quarter of 2015, bringing the year's total dividend to SAR 1,067 million, representing 20% of the company's nominal share value.

The Group maintained its dividend declaration policy, distributing 50-60% of its net profit, taking the distribution amount of the past five years close to the paid-up capital. Therefore, the Group will continue its distribution policy (pay-out ratio from the net profit), taking into consideration the Board's priority to use available cash-flow to support the Group's long-term growth objectives.

On behalf of the Board of Directors, I take this opportunity to communicate our utmost gratitude and appreciation to our Government for their ceaseless effort to provide their people with welfare and security – as well as its continued support and care for private sector companies. I extend my sincere appreciation to Savola's shareholders for their support during 2015, and acknowledge the dedication and efforts of our executive management and employees throughout the year.

We look forward to continued excellence and success, and ask Allah to guide us.



**Sulaiman A. Al Muhaidib**  
Chairman



## BOARD OF DIRECTORS

**Sulaiman A. Al Muhaidib** 1  
Chairman

**Abdullah M. N. Rehaimi** 2  
Group CEO and  
Managing Director

**Ibrahim M. Al Issa** 3  
Member

**Amin M. Shakir\*** 4  
Member

**Bader A. Al Issa** 5  
Member



\* Resigned from the Board  
on 11 February, 2016

**Abdulaziz K. Al Ghufaily 6**  
Member

**Abdul Kareem A. Abu Alnasar 7**  
Member

**Essam A. Al Muhaidib 8**  
Member

**Omar Hadir N. Al-Farisi 9**  
Member

**Fahad A. Al Kassim 10**  
Member

**Mohammad A. Al Fadl 11**  
Member



# Building on our foundations

**The year witnessed a number of significant economic challenges, locally, regionally, and internationally. Nevertheless the Group achieved respectable results, despite the decrease in net income compared to last year. Group and Sector performance was generally satisfactory, despite these challenges and circumstances.**

Savola Foods achieved excellent results, with consolidated net income reaching SAR 687 million, compared to SAR 610 million last year. These outstanding results were achieved despite the problems arising from the international excess in sugar production reserves, which led to a slump in prices, to the extent that imported refined raw sugar costs were lower than production costs of some producers. In Egypt, there were also difficulties in acquiring foreign currencies, as well as the exchange rate falling against the US dollar. Despite these international challenges, faced by sugar refineries in both the Kingdom and Egypt, the sugar business achieved positive results, although lower than last year's, based on consolidated results. The outstanding performance of the edible oil category, a result of building leading brands, contributed massively towards offsetting the lower sugar category results during the year. This confirms the soundness of our strategic decision to build products that carry names and trademarks known to the consumer, while reducing dependence on commodities.

In Egypt, one of our major markets, the Group's operations suffered in challenging economic conditions, particularly due to local currency devaluation and foreign currency availability. Nevertheless, we remain positive about the potential in Egypt, where we are leaders in edible oils and pasta. The consumer market is highly attractive, with a population of around 90 million.

Having withstood the turmoil of the past few years, despite fluctuations and unstable circumstances, we are well positioned to capitalize on the significant opportunities. In line with Group strategy, Savola Foods is also entering new product categories. Plans are well advanced to launch a joint venture in canned seafood through a strategic partnership with specialists in the field.

Panda Retail continues to lead the domestic grocery retail sector with approximately 12% market share and 2015 turnover of SAR 13.5 billion, up 10.9% on 2014. Grocery retail in Saudi Arabia is growing rapidly, up by approximately 6.5% in 2015. Panda is the Kingdom's largest retailer, operating over 498 outlets in three formats (hypermarket, supermarket, and convenience) in over 40 cities, and patronized by more than 120 million customers. Panda's retail network in Saudi Arabia grew by 151 outlets during 2015: 127 convenience stores, 20 supermarkets, and 4 hypers. The company also opened its first Panda supermarket in Egypt, alongside Dubai, our second cross-border outlet.

Savola was also able to successfully complete the sale transaction of Savola Packaging Systems Company, generating a capital gain of SAR 265 million. This was a milestone transaction for Savola, confirming our strategy of focusing on food and retail sectors and exiting from non-core businesses.

Savola's investment in Almarai, the world's largest vertically integrated dairy company, continued to deliver excellent returns to the Group. Our holding in Almarai is considered a long-term strategic investment. The Group's investment in Herfy also continues to perform well.

With a network of more than 300 fast food restaurants across Saudi Arabia, Herfy is the largest and fastest-growing fast food chain in the Kingdom, with new branches opened in Bahrain, Kuwait, the UAE, and Egypt.

The Group continued its efforts in corporate governance and transparency by adopting international standards in this field, in addition to complying with the corporate governance requirements of the Capital Market Authority. In recognition of these efforts, the Group received the Sa'afa Award from the Integrity and Transparency Foundation in February 2016.

The Group also continued its important investment in human capital, its most valuable resource, recruiting specialized leadership to help create an attractive and healthy work environment, as well as providing the appropriate managerial structure, development, training, and leadership succession plans to ensure continued success.

Through specialized committees, Group management, and operating companies, the Group maintains an active corporate social responsibility strategy, an important area that is considered a national obligation. The strategy is based on different aspects such as the community, employees, environment, and the relevant Group sector.

In closing, I take this opportunity to thank the Group's shareholders for their continuous help and support during 2015, and our executive management and employees for their loyal efforts. I also thank our customers and business partners. I place great trust in everyone's sharing of advice and support.

We undertake all our endeavors with the grace of Allah Almighty, and humbly ask for guidance in seeking to achieve our long-term plans.



**Abdullah M. N. Rehami**  
Group CEO and Managing Director



## EXECUTIVE MANAGEMENT TEAM

### **Abdullah M. N. Rehami**

Group CEO and  
Managing Director

Eng Rehami became Group Chief Executive Officer and Managing Director in January, 2015, having earlier served as President of the General Authority for Civil Aviation (2003-2011).

He began his career with the Saudi Industrial Development Fund, the government-owned lender for industrial development, and held several managerial and board positions over 26 years with the institution, latterly becoming Assistant Director General. He became a non-executive Director of Savola in 2010 and was later appointed Vice-Chairman.

Eng Rehami studied at King Fahd University of Petroleum & Minerals in Dhahran, graduating in mechanical engineering in 1975. He later pursued financial studies in the USA, followed by several training programs in industrial development, business management, and project finance.

### **Bader H. Al Aujan**

Chief Executive Officer,  
Savola Foods

Mr Al Aujan was appointed in September 2014. He is also a board member of Afia International, Alexandria Sugar and Pasta, and United Sugar Company (Saudi Arabia and Egypt).

He graduated from King Saud University with a BSc in Mechanical Engineering. Mr Al Aujan's illustrious career has included senior management positions in diverse sectors, having been Group Managing Director of Aujan Industries, a Director of United Arab Can Manufacturing Company, and then Managing Director of Muhaidib Foods. His current directorships outside Savola Foods include Eastern Industrial Company (Saudi Arabia), Khairat Al Mazra (Unilever Distribution, Iraq), and KOUT International Catering Company (Kuwait).

### **Muwaffaq M. Jamal**

Chief Executive Officer,  
Panda Retail

Mr Jamal joined Panda in 2004 as Chief Financial Officer, becoming CEO and a board member in 2010. He is also on the board of Herfy Food Services Company. He has led Panda's expansion program over the last six years. In 2009, he received the Revolutionary CFO of the Year Middle East award at the CFO Mid-East Strategies conference.

Mr Jamal graduated from King Fahd University of Petroleum & Minerals with a BSc in Accounting, and also has a degree in Pre-business Administration from the University of Oregon, USA.



**Faysal H. Badran**  
Chief Investment Officer

Mr Badran has more than 20 years' experience in investments, asset and risk management, corporate strategy, and entrepreneurial ventures over a career that has spanned the US, Europe, and the Middle East with institutions including Chase, Bankers Trust, UBS, the Middle East Capital Group, and the National Commercial Bank (NCB).

He joined Savola in February 2014, and sits on the board of Herfy Food Services Company, as well as holding several external directorships. Previously, he was Chief Investment Officer and Head of Asset Management at NCB Capital.

Mr Badran studied economics at DePauw University, and economics and monetary policy at the University of Chicago. He has also completed several executive programs, most recently the INSEAD Executive Program.



**Nouman Farrukh**  
Chief Financial Officer

Mr Farrukh has more than 20 years' experience with the Group, having originally joined Savola Bahrain, where he was responsible for management accounting. He has since held progressively senior positions, serving as Deputy CFO, Director Group Finance, and Senior General Manager Finance & IT.

Before joining Savola, Mr Farrukh spent five years with a Pakistan-based cement manufacturer as Assistant Manager, Cost & Budget. He holds professional qualifications in cost and management accountancy, and taxation management; is an Associate of the Institute of Cost & Management Accountants; and a Fellow of the Institute of Taxation Management.



**Rania S. Al-Turki**  
Chief Human Capital Officer

Mrs Al-Turki joined Savola from the National Commercial Bank (NCB) in 2015, where she spent seven years in a number of HR-related roles, latterly as Head of People, Pay and Policy.

After graduating in 2000 from Indiana State University with a Bachelor of Applied Science degree, she continued her studies in the USA at George Washington University, earning a Master's in Computer Science. In 2008, she undertook PhD studies at George Mason University in the USA. She has since gained further qualifications from the London Business School.

Mrs Al-Turki's wide-ranging social engagement activities include volunteering with the Helping Hand Foundation/Al Birr Society, the American Medical Student Association, the American Red Cross, and membership of the Board of Trustees of the Tawasul Program.



**Tarik M. Ismail**  
Executive Director,  
Corporate Affairs &  
Sustainability, and  
Board Secretary

Mr Ismail oversees the Group's CSR, marketing, and communications functions, and coordinates the activities of the Board of Directors. He is a Board member of Panda Retail Company. He has been with the Group for five years, having joined Panda in 2010. He led Savola's 'My Environment is My Friend' initiative, working with Saudi Arabia's Presidency of Meteorology and Environment (PME) to develop programs that raise local environmental awareness.

Mr Ismail is Vice-President of the Food & Beverage Businessmen Committee at the Jeddah Chamber of Commerce & Industry, and a board member of Tarahum (National Committee for Prisoners) and the World CSR Congress.



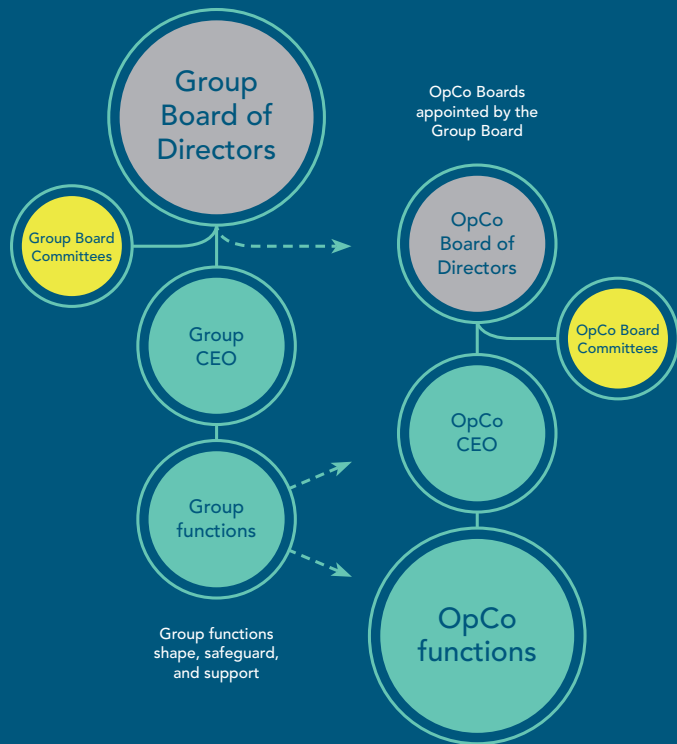
# Savola Group

Savola is a strategic investment holding company focused on two sectors: food and retail. Our foundational values guide strategic decision-making, particularly in creating financial, professional, and social value for all stakeholders.

The Group is currently divesting peripheral business interests and aligning its operating companies and financial investments to a coherent new strategy and operating model. The Group Board assumes responsibility for the operating companies' strategic direction, while devolving greater autonomy to them. Selected financial investments will continue to make valuable contributions to Group returns.

Our strategic objectives include capitalizing on proven expertise in consumer-related businesses, while developing new markets that show potential to swiftly achieve brand leadership. Long-established food and retail presence has enabled a deep understanding of consumers across the region, an invaluable asset as we move into new, higher-value categories.

Key drivers of the Group strategy are allocation of resources, active ownership of assets, robust performance management, and strong corporate governance. Savola's long-term goal is to generate attractive long-term returns on capital employed, allocating capital dynamically, and creating sustainable stakeholder value.





# Food investments

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Savola Foods is transforming into a more diversified and brand-focused company. Our goal is to move gradually from commodities to value-added categories, with regional consumer insights as the focal point.

Strategic objectives are to *defend* our leadership in established products and markets, *extend* existing products into complementary areas, *build* outstanding new businesses, and *incubate* emergent categories that can yield longer-term potential.

Strong foundations underpin our approach because many of Savola Foods' edible oil, sugar, and pasta brands are already market leaders in their respective geographies.

Extending existing products by diversifying into complementary areas is designed to outstrip market growth, with the prerequisite of enhanced margins and rapid progress towards market leadership. Incubating new concepts for long-term development will lead to future product innovation based on deepening our understanding of global trends.

# Retail investments

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Panda's long-term strategy is empowered by four strategic drivers: organic growth, state-of-the-art distribution, expansion of non-food lines, and sophisticated new retail formats.

Each element has detailed responses to various competitive threats. While Panda has enhanced its market leadership, Saudi Arabia's retail grocery sector remains intensely competitive. Organic growth derives from the Kingdom's projected population growth and a corresponding surge in retail consumer demographics. Panda's own-label products have grown to more than 600 product lines, and by 14% in sales year-on-year.

State-of-the-art distribution is evident in two centers that rate as the largest in the region: one in Riyadh with floor area of 95,000 m<sup>2</sup> and the other in King Abdullah Economic City with 107,000 m<sup>2</sup>, backed by Panda's operation of 773 delivery vehicles.

Panda is well entrenched as Saudi Arabia's leading retailer by pricing, special convenience, and product range. The new strategic direction builds on these strengths and reinforces the Group's requirement for market leadership in each of its operations.

# Food investments



**Edible oils production capacity**  
(Percentage)

- Iran 39.71%
- KSA 20.1%
- Egypt 10.75%
- Algeria 9.1%
- Turkey 4.78%
- Sudan 4.78%
- Morocco 4.78%



**Sugar production capacity**  
(Percentage)

- Jeddah, KSA 58%
- Ain Alsukhnah, Egypt 33%
- Alexandria (beet sugar), Egypt 9%



## Savola Foods

As Savola Foods transforms from being commodity-based to a value-added and brand-focused company, its four-part strategy – defend, extend, build, and incubate – has a crucial role.

Savola Foods’ enabling resources will play a vital role in achieving the objectives: skilled and experienced management and employees who share strong values and ethics, efficient processes and systems, strategic alignment with all stakeholders, and centers of excellence for every aspect of the business.

Despite many local and regional challenges, Savola Foods’ exceptional achievements in 2015 were led by a 13% increase in net income to SAR 687 million, mainly due to strong performance by the edible oils segment.

### Defending core business

The *defend* strategic principle applies to protecting core businesses and growing faster than the market. The company has a very strong base, with our oil, sugar, and pasta brands being market leaders from Morocco to the Middle East, Turkey, and Iran. The company sells more than four million tons every year and has the lowest cost per ton in the regional foods industry.

A key initiative in 2015 was consolidating the Group’s three sugar businesses in Saudi Arabia and Egypt under one management team. This is helping to create synergies, drive efficiency, and improve profitability of Savola Foods’ sugar business.

### Extending existing categories and consumer insight

The *extend* strategic principle takes the core – edible oil, sugar, and pasta – to adjacent areas of products, seeking better margins, capitalizing on existing strengths, and replicating successes.

For example, in 2015 we responded to the needs of the emerging health-conscious segment by launching Omega 3 sunflower oil and Kizartma Ustası (special frying oil) in Turkey, Zaaki brand sesame oil in Sudan, and a children’s range of premium pasta under the Italiano brand in Egypt.



These initiatives are developing new added-value businesses where sustainable growth in revenue and profitability can be secured – using innovation and originality of new products as well as speed to market. The potential to achieve rapid market leadership will always be the crucial determinant in evaluating new territories and developing new categories.

#### Building new food categories

The *build* strategic driver mandates Savola Foods to invest in new food categories in which it can create more value. During 2015, this aspect of the strategy swung into action with the formation of a joint venture with Thai Union, a leading global player in the seafood category with very strong category expertise. The partners will invest in the joint venture, with Savola launching the renowned John West brand (owned by Thai Union) in 12 markets across the MENA region.

# +12.6%

Savola Foods' net income rose to SAR 687 million in 2015, compared to SAR 610 million the previous year.

# 30

Savola Foods brands are marketed across 30 countries.



# Food investments

continued



Savola will launch the renowned John West canned seafood brand (owned by Thai Union) across 12 markets in the MENA region.

The Middle East is one of the world's fastest-growing seafood markets, estimated to be worth more than US\$3 billion annually, and Savola will tap into it by first introducing John West canned tuna to Arabia, Egypt, and Iran. Core markets such as Saudi Arabia, Iraq, and Iran alone account for annual seafood sales of more than US\$2 billion, and have grown by an average of 4% over the past five years.

Further Thai Union products will follow, such as ambient, frozen, and chilled seafood, as well as ready-to-eat meals. The joint venture will operate across the GCC region (Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates), as well as in Jordan, Lebanon, Syria, Iran, Iraq, and Egypt.

## Acquisition of Pech Pech

Further build initiatives took place in core geographies, Savola Foods entering the bakery and pastry market with the acquisition of Pech Pech, established in 1998 as Iran's first producer of croissants. Its products now include many varieties of cakes and croissants. Savola regards this category as underdeveloped and has entered it with the intention of developing it to meet consumer needs.

Similar acquisitions or mergers that meet Savola's strategic objectives are being sought across all operating territories, with the proviso that they offer significant growth potential, healthy margins, and a direct route to market leadership.

# 4.03m

Savola Foods achieved sales volume of 4.03 million tons.

**2.25m**

Production capacity at Savola Foods' sugar refineries.

### Incubate

The fourth part of the strategy is still at an early stage but is equally important in the rationale, identifying categories with growth potential, analyzing market trends, and developing innovative products that fit well with existing market strengths.

Overall, the four-part strategy aims to develop Savola Foods into a multinational operation that is characterized by market leadership in its core categories and diversified product range across all channels. The domestic Saudi market will continue to be a dominant priority and an excellent source of returns, along with the GCC region, North Africa, and Central Asia. Efficiency of distribution, economies of scale, and adherence to the highest standards of branded quality will create benefits for consumers and shareholders alike.

### Almarai

Savola has a long-standing shareholding in Almarai, the world's largest vertically integrated dairy company. Savola is the largest single shareholder, owning 36.52% of Almarai. From its original base of dairy products, Almarai has diversified into juices, bakery, poultry products, and infant nutrition – creating a broad-based food company that today generates annual revenues of close to SAR 13.8 billion.

Almarai's 2015 net income amounted to SAR 1.91 billion, up 14.4% on the previous year. Diluted earnings per share, based on net income attributable to shareholders, rose from SAR 2.70 to SAR 3.11.

Performance for the year is indicative of the resilience of Almarai's business model. Results are in line with its strategic plan and successful diversification efforts. Like Savola, Almarai will continue to focus on its strategic priorities and live up to its commitment to serve consumers with the highest-quality experience every day.



**المراعي**  
**Almarai**

**+14.4%**

Almarai's net income of SAR 1.91 billion in 2015 was 14.4% higher than the previous year.

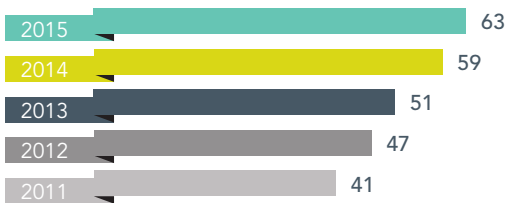


# Retail investments



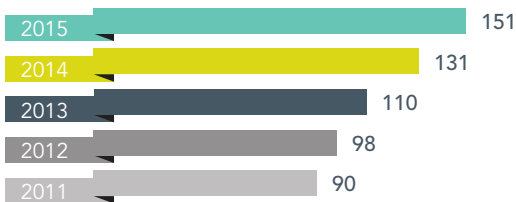
## HyperPanda

Number of hypermarkets in Saudi Arabia



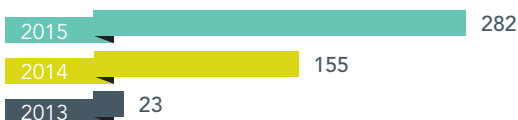
## Panda

Number of supermarkets in Saudi Arabia



## Pandoti

Number of convenience stores in Saudi Arabia



## Panda Retail

**Panda Retail has developed an aggressive and sustainable long-term strategy based on organic growth, state-of-the-art distribution, expansion of non-food lines, and new retail formats.**

Key achievements in 2015 included a 10.9% increase in sales and almost 44% growth in the number of outlets. The company was ranked number one for pricing, special offers, freshness, shopping convenience, and product range.

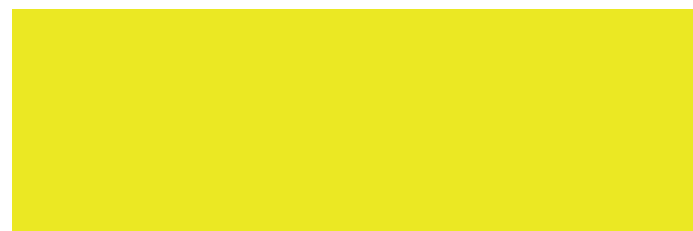
Panda is Saudi Arabia’s leader in grocery retail, with turnover of SAR 13.5 billion in 2015 – up from SAR 12.2 billion a year earlier – and market share of around 12%. The company operates three formats: hypermarket, supermarket, and convenience. It now has a total of 498 stores, spread across 44 cities and serving more than 123 million customers.

Total retail floor area grew by 14% to 747,544 m<sup>2</sup> during the year, having opened 151 new outlets in Saudi Arabia – 4 Hyper Panda, 20 Panda supermarkets and 127 Pandati convenience stores. Saudi nationals now represent close to 31% of Panda’s 24,000 employees. Panda is also expanding regionally, having opened its first outlet in Egypt in 2015, the second cross-border expansion after Dubai.

### Adapting to evolving customer demands

Panda is number one in the lowest cost of shopping, giving customers the best prices and special offers. However, recently there have been significant shifts in customer needs and shopping habits, which are creating new challenges. Panda is adapting to these changes and will aim to remain as a leader of the Saudi Arabian grocery retail market.

Saudi Arabia now has a particularly young demographic profile – driving altered shopping patterns, social media evolution, and greater awareness of environmental and health issues. Panda’s three distinctive formats cater to these changing needs: Hyper Panda for monthly shopping, Panda Super for fresh weekly top-ups, and Pandati for daily essentials.



Panda's three distinctive formats cater to the market's changing needs: Hyper Panda for monthly shopping, Panda Super for fresh weekly top-ups, and Pandati for daily essentials.

# 10.9%

Panda Retail's 2015 revenue growth.



# Retail investments

continued



Panda is expanding regionally, having opened its first outlet in Egypt in 2015, the second cross-border expansion after Dubai.

In creating a distinctive experience across all outlets, Panda has innovated a world-class new look in each format, based on customer feedback obtained through targeted market research. Expectations for organic growth are based on projected population growth, increased numbers of married couples, and a decline in the average family size.

Pandati is a key strategic driver, countering the under-penetration of modern retail in Saudi Arabia. Supermarkets account for only 25% of the grocery trade, compared to around 60% in countries like the UK. Small traditional grocery outlets are still responsible for almost 60% of sales, compared to 25-30% in Europe.

Expansion of non-food lines will improve the sales mix and boost overall margins. Panda has a long-term strategy to further develop non-food products and present a comprehensive range of customer options, especially in hypermarkets.

Development of own-label products is a vital component of the overall strategy, launching 64 new items in 2015 and re-launching 52. Own-label sales grew by 14% year-on-year, with a 10% increase in the number of customers choosing Panda's own products.

As well as providing the best products at the lowest possible price, Panda rewards customers through innovative promotions, shopping festivals, and savings campaigns. In 2015, more than 300,000 customers were winners in 'prizes and surprises' promotions, along with special offers linked to events such as the Cooking Festival, Back to School Festival, Ramadan Offers Festivals, and the 37th Panda Anniversary Festival.

# 120m



Panda now serves more than 120 million consumers.

# 107,000m<sup>2</sup>



Panda's new 107,000 m<sup>2</sup> distribution center in King Abdullah Economic City.





4

New Hyper Pandalas in 2015.

21

New Panda supermarkets in 2015.

127

New Pandati convenience stores in 2015.

### Enhanced distribution capability

State-of-the-art distribution is a crucial enabler in Panda's ability to be the country's leading national mass-market retailer. The distribution center in Riyadh has a built-up area of 95,000 m<sup>2</sup>. In 2015 a second distribution center was opened in King Abdullah Economic City in the Western region, with a 107,000 m<sup>2</sup> built-up area and capacity to handle throughput of 105,000 pallets annually. Panda also has the second-largest delivery fleet in Saudi Arabia, with more than 773 vehicles.

### Awards

Panda received many awards during 2015, the most important being: Brand Excellence in the Retail Sector, Excellence in Sustainable Marketing, and Best Utilization of Social Media in Marketing (all awarded by CMO Asia, the marketing leadership organization), and Best Company in the Retail Sector (Arabian Business magazine).

### Herfy

Savola has a 49% stake in Herfy Food Services Company, one of the largest fast food restaurant chains in Saudi Arabia, with more than 300 restaurants. Herfy also operates outside Saudi Arabia by franchising restaurants in UAE, Kuwait, and Bahrain.

Herfy achieved net income of SAR 202.7 million from sales of SAR 1.08 billion. Sales increased by 18.3% compared to 2014, backed by the opening of 45 new outlets. Earning per share for 2015 was SAR 4.39 compared to SAR 4.45 in 2014.



18.3%

Herfy's 2015 increase in sales.



# Our People

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60%

Nationalization at Savola Headquarters.

45%

Nationalization level in Savola Foods.

7,200

Panda Retail Saudi workforce in 2015, rising from 6,600 in 2014.

Savola is committed to continuously add value for all its stakeholders. Driven by this commitment, investing in human capital is at the core of Savola's strategic aspirations.

Savola enables employees to create professional value by enabling the acquisition and development of a highly skilled and competent workforce that will learn, lead, and respond to challenges – while investing in a values-driven culture that promotes outstanding performance and fosters leadership.

Savola Human Capital's philosophy of creating value for employees stimulates business performance and ultimately adds long-term value for shareholders. Accordingly, Human Capital's approach is designed to align with Savola's new operating model, establishing an effective center of excellence that will provide operating companies with support in their specialist areas: guidance in standards, methodologies, and knowledge; effective measurements; and a robust governance structure.

### The employee value creation model

The employee value proposition is driven by Savola's value creation model – 'Value Built on Values' – that links to Savola's vision and corporate culture, enabling more effective attraction and engagement with employees and strengthening the commitment of new recruits.

The employee value proposition framework combines four elements to create a positive work-life balance typical of top brands such as Savola: career growth, reward, affiliation, and work stimulus.



# 31,000

Total employees  
Group-wide.

Each element is inter-dependent and mutually supportive. A fulfilling career should be more than a job, offering opportunities for personal growth and development as well as professional advancement. Rewards must be equally clear, whether short-term or long-term, fixed or variable. Affiliation provides scope for leadership, progressively senior job titles, and a corporate image and work environment of which employees can feel proud – where challenge, autonomy, and feedback are the norm.

### Employer of choice

Specific initiatives are being undertaken to achieve the Human Capital strategic goal of being an employer of choice. These include the Talent Management Framework, designed to ensure that the right supply of talented workforce is ready to realize the strategic goals of the organization, now and in the future, and matching this to personalized developmental plans.

Further programs focus on talent acquisition, embedding Savola's values and ethics, employee engagement and retention, and promoting a values-driven culture that is fair and transparent. By implementing these programs, Savola Human Capital will operate as a strategic business partner to internal clients, understanding the needs and wants of employees and channeling their voice.

Savola's values are the building blocks, acting in the firm belief that individuals in an organization operate more efficiently in the presence of a guiding set of ethical principles and an environment marked by fair and appropriate governance.



# Our Community

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**In line with Savola's strategic direction, the Group's community initiatives are being reviewed and restructured, with all activities aligned to the main strategic objective: creating social value.**

The goal is to achieve world-class standards of openness, transparency, and accountability towards all our stakeholders, and build bridges to reach out and serve the communities in which we operate. We are therefore redefining priorities and ensuring that allocated resources follow this strategic direction, adding value at a social level while also contributing to business stimulus.

Sustainability programs are being developed that capitalize on Savola's corporate strengths and core competencies, backed by a digital outreach element and more robust communications support.

This will create greater visibility for programs, improving corporate social image and positioning Savola and its operating companies as 'sustainability game-changers' with a loyal brand following. Measuring and tracking returns will be central to all investments, followed by reporting and communication of the net results.

Four elements underpin the overall goal:

- Establishing Savola's competitive edge in scalable sustainability initiatives
- Communicating Savola's practices and reinforcing its ethical brand positioning
- Measuring social return on investment
- Boosting external relationships with key stakeholders

The overarching theme is to leverage the Group's scale and outreach to address crucial issues across communities, employees, the environment, and the sector. Key issues, causes, and responses have been developed for each quadrant: community, employees, the environment, and society.

Under the disability empowerment program, Savola recruited close to 200 employees during 2015, 50% ahead of target. For 2016, a new portal is being developed to support the recruitment of people with disabilities (PWD), bringing together job-seekers and employers under Savola's supervision.

#### **Sustainability reporting**

Savola achieved Global Reporting Initiative (GRI) certification at GRI-G4 level during 2015: the first organization in the food and retail sectors globally, and the only organization in Saudi Arabia.

GRI is an international and independent standards organization that helps businesses, governments, and other organizations understand and communicate their impacts on issues such as climate change, human rights, and corruption.

Savola achieved Global Reporting Initiative (GRI) certification at GRI-G4 level during 2015: the first organization in the food and retail sectors globally, and the only organization in Saudi Arabia.



# Our Community

continued

Under the disability empowerment program, Savola recruited close to 200 employees during 2015, 50% ahead of target. For 2016, a new portal is being developed to support the recruitment of people with disabilities (PWD), bringing together job-seekers and employers under Savola's supervision.

# 671,000

Hours of Injaz activities.

Its new G4 reporting level assesses sustainability levels in companies and institutions by performance indicators and social initiatives.

Savola's GRI-G4 accreditation reflects commitment to operating at the highest international level, and its well-established principles of corporate governance and transparency. GRI-G4 reporting enables the Group to disclose financial indicators and performance, while communicating non-financial performance such as strategies, expectations, and performance in terms of social responsibility, the environment, safety issues, and industrial security.

## **Injaz Saudi Arabia**

Injaz is the world's largest non-profit organization dedicated to educating students and preparing them for the workplace. The program is based on the US Junior Achievement initiative, which started in 1919 and was adopted in the Arab world in 2004. Today, the program is implemented in a number of Arab countries. Savola has partnered with Injaz Saudi Arabia since 2010, being a board member in the Kingdom and one of its chief supporters. Savola is the sole sponsor of the Success Skills program developed for the visually impaired, and Savola volunteers are trained to deliver the program. Employees also voluntarily support the Safer initiative, which helps students to develop their capacity to enter the job market after graduation. In total, more than 2,200 volunteers from Savola have contributed over 671,000 hours to Injaz activities. The Group also contributes financially, and provides training venues and recognition awards to students.

## Qaderoon

Savola has become a member of the Ambassadors Group of Qaderoon, the business and disability network. The Ambassadors Group is a voluntary committee comprising people with various disabilities – hearing, vision, mobility, or intellectual – who share their successful career stories and varied experiences to influence and inspire others. The objectives are to increase awareness of the societal rights of people with disabilities and consideration for their requirements: informing people with disabilities about events and activities relating to training, employment, and inclusion; and encouraging them to take up actual jobs and avoid phantom employment.

# 50%

**50% ahead of recruitment target for the disability empowerment program.**



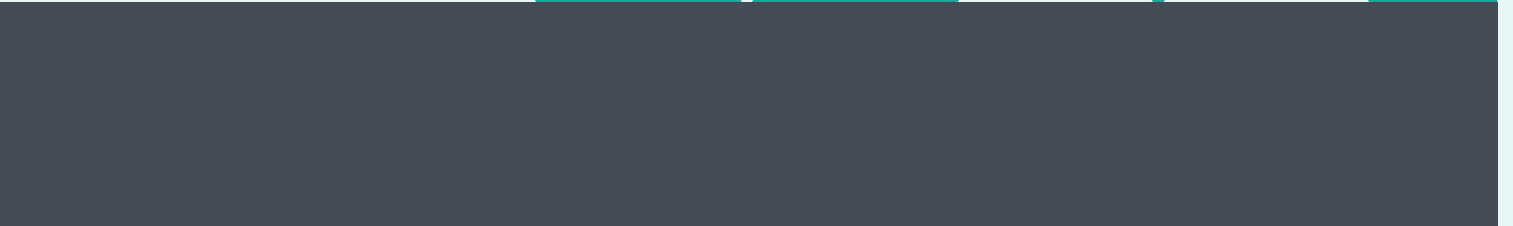
# Directors' and Governance Reports

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32 Board of Directors' Report

46 Corporate Governance Report





### 1 Main activities of the Group

The Savola Group was established in 1979 as a public joint stock company with the objective of manufacturing and marketing edible oil and vegetable ghee in Saudi Arabia. Today it is considered one of the most successful and fastest-growing food and retail groups in the Middle East, North Africa, and Turkey (MENAT) region.

The Group has a broad portfolio of activities. The Foods sector produces and markets edible oils, vegetable ghee, sugar, and pasta. The Retail sector operates an extensive chain of hypermarkets, supermarkets, and convenience stores. Savola also has significant investments in leading Saudi public companies such as Almarai and Herfy, real estate development companies such as Knowledge Economic City and Kinan Real Estate, as well as holdings in various private equity funds.

Savola's main sectors, subsidiaries, and activities in Saudi Arabia and overseas are:

Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)
<b>Foods sector</b>					
Savola Foods Company	KSA	Foods (edible oils, ghee, sugar, and pasta)	Holding company manages the investment in foods sector in KSA and overseas	100%	SAR 2.2 billion
Afia International Company	KSA	Edible oils and ghee	KSA, Gulf, Egypt, Iran, Turkey, Jordan	95.19%	SAR 500 million
United Sugar Company	KSA	Sugar and sweeteners	KSA, Egypt	74.48%	SAR 395 million
Savola Foods Emerging Markets Company	British Virgin Islands	Holding company	Algeria, Sudan, Morocco	95.43%	SAR 130 million
El-Maleka for Food Industries Company	Egypt	Manufacturing of pasta	Egypt	100%	EGP 268.89 million
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	Egypt	100%	EGP 20 million
International Food Industries Company	KSA	Manufacturing of specialty fats	KSA	75%	SAR 30 million
<b>Retail sector</b>					
Panda Retail Company (formerly Al-Azizia Panda United Company)	KSA	Retail (hypermarkets, supermarkets, and convenience stores)	KSA, UAE (Dubai), and Egypt	91%	SAR 1.45 billion
<b>Investment sector (non-managed)</b>					
Herfy Food Services Company	KSA	Foods and fast-food restaurants	KSA and some GCC countries	49%	SAR 462 million
Almarai Company	KSA	Fresh food products	KSA	36.5%	SAR 6 billion
Kinan International Real Estate Development Company	KSA	Real estate development	KSA	29.9%	SAR 1.69 billion
Knowledge Economic City Company	KSA	Real estate development	KSA	11.5%	SAR 3.39 billion
Taameer Jordan Holding Company	Jordan	Real estate development	Jordan	5%	JOD 86.4 million
Dar Al Tamlik Company	KSA	Real estate development	KSA	5%	SAR 1 billion
<b>Non-active subsidiaries and special purpose vehicles</b>					
Savola Industrial Investment Company	KSA	Holding company	Saudi Arabia	100%	SAR 205.9 million
Al Mojammam Al Mowahadah Real Estate Company	KSA	Holding company	Saudi Arabia	100%	SAR 2 million

## 1 Main activities (continued)

Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)
<b>Non-active subsidiaries and holding companies (continued)</b>					
Al Maoun International Holding Company	KSA	Dormant company	Saudi Arabia	100%	SAR 1 million
Afia Foods Arabia	KSA	Dormant company	Saudi Arabia	100%	SAR 1 million
Adeem Arabia Company Ltd.	KSA	Holding company	Saudi Arabia	100%	SAR 1 million
Arabian Al Utur Holding Company for Commercial Investment	KSA	Holding company	Saudi Arabia	100%	SAR 1 million
Kamin Al Sharq for Industrial Investments	KSA	Dormant company	Saudi Arabia	100%	SAR 500 thousand
Arabian Sadouk for Telecommunications Company	KSA	Dormant company	Saudi Arabia	100%	SAR 500 thousand
Kafazat Al Kawniah for Real Estate Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Alwaqat Al Kawniah Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Aalinh Al Kawniah Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Abtkar Al Kawniah Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Marasina International Real Estate Investment Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Asda'a International Real Estate Investment Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Masa'ay International Real Estate Investment Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Saraya International Real Estate Investment Limited	KSA	Holding company	Saudi Arabia	100%	SAR 200 thousand
Savola Trading International Limited	British Virgin Islands	Dormant company	British Virgin Islands	100%	USD 100 thousand
United Properties Development Company	KSA	Dormant company	Saudi Arabia	100%	SAR 4 million
Madarek Investment Company	Jordan	Holding company	Jordan	100%	JOD 1 million

## 2 Strategic direction, future plans, operating model, and governance procedure

### Strategic direction

During 2015, Savola continued to implement its strategic direction, focused on core businesses (the Food and Retail sectors), as well as continuing to treat Almarai and Herfy as long-term strategic non-managed investments. The Group continued to divest non-core businesses and investments (such as the Plastics sector, investment funds, and other investments that are not in line with its core food and retail activities). The proceeds from divestment will be utilized in our business and any similar sectors in the future.

### Future plans

The Board of Directors held several meetings in 2015 where they reviewed and monitored the Group's performance, short-term and long-term plans, and the activities of various sectors. This was to enhance the value, assets, investments, and future direction of the Group, as well as maintaining the leadership of its brands in the Food and Retail sectors. The Board also held a three-day workshop offsite to review the strategic direction of the Group and its sectors, including plans, financial goals, consolidated performance indicators, expansion plans for the Food and Retail sectors, and the 2016-20 prospects for these investments. They were reviewed by the Board committees according to their respective roles and responsibilities, and then submitted to the Board of Directors for review and guidance.

### 2 Strategic direction, future plans, operating model, and governance procedure (continued)

#### Group operating model and governance procedures

The Group continued to allow the operating companies (Savola Foods and Panda Retail) increasing levels of autonomy and flexibility in decision-making, managing their operations within the governance model and authority levels that define their interaction with the holding company. In 2015 this contributed to enhancing their operational and strategic performance.

#### Corporate governance

During 2015, the Group continued to apply corporate governance procedures and guidelines through the Board of Directors, subsidiary Boards of Directors, Board committees, the executive management team, and the various sectors. The Group has demonstrated its commitment to complying with corporate governance regulations at the Group level and building the subsidiaries' capabilities in adopting their own corporate governance guidelines, aligned with those of the Capital Market Authority. The Group also continues to comply with regulations and company laws issued by the Ministry of Commerce and Industry regarding corporate governance. In addition, it applies best international practices in the fields of corporate governance and transparency. The Corporate Governance Report (included in this document) reflects the efforts undertaken by the Group in this area. Savola will continue to further enhance corporate governance and transparency during 2016.

#### Integrity and transparency award

Among Savola's achievements in corporate governance and transparency was receiving the Integrity and Transparency Award from the Integrity and Transparency Foundation (announced in early February 2016). In this competition, 31 Saudi companies were nominated for the 2015 award. After thorough evaluation of the nominees' applications and supporting documents by the awards committee, and interviews with the management teams, Savola was ranked first equal in Saudi Arabia, along with another listed company.

Savola takes pride in winning this award, coming from an independent body, and fully intends to maintain the Group's leadership in governance and transparency.

### 3 Summary of consolidated performance

#### A) Financial results and general performance

Savola's Board of Directors approved the audited financial statements, which reflected net income for 2015 amounting to SAR 1.79 billion, compared to SAR 2 billion in 2014. Gross profit for the year reached SAR 5.1 billion. Operational profit was SAR 1.83 billion, compared to SAR 2.45 billion the previous year. The Group's net income (before capital gains and exceptional items) reached SAR 1.5 billion in 2015, 9% lower than the revised forecast of SAR 1.63 billion announced by the company on the Saudi Stock Exchange (Tadawul).

#### B) Reasons for variance

The net profit for the year ended 31 December 2015 compared to last year registered a decline, which is attributed mainly due to lower share of profit from one of the associates and disposal of Plastic sector during Q1 of 2015. This is despite recording the insurance claim settlement for the fire in raw sugar warehouse in 2013, gain on sale of land, no impairment in non-core investment, lower net financial charges, zakat and income tax and minority share in income.

Gross profit is higher, mainly due to increased revenue from the Retail sector, partly off-set by lower gross profit in the Foods sector. Operating income is lower mainly due to increased operating expenses, which were higher primarily as a result of opening of new stores in Retail sector (Panda Stores) compared to last year.

#### C) Earnings per share

Earnings per share of SAR 3.36 in 2015 compared to SAR 3.88 last year.

### 3 Summary of consolidated performance (continued)

#### D) Consolidated income statement 2015 compared to last year

Income Statement	2015 (SAR'000)	2014 (SAR'000)	Variance + or (-) (SAR'000)	Variance %
Revenues – net	26,425,416	26,587,842	(162,426)	-0.6%
Cost of revenue	(21,332,207)	(21,724,122)	391,915	-1.8%
<b>Gross profit</b>	<b>5,093,209</b>	<b>4,863,720</b>	<b>229,489</b>	<b>4.7%</b>
Share of profits (losses) of associates and jointly controlled entities and dividend income – net	796,114	977,588	(181,474)	-18.6%
<b>Total operating income</b>	<b>5,889,323</b>	<b>5,841,308</b>	<b>48,015</b>	<b>0.8%</b>
Selling and marketing expenses	(3,458,547)	(2,723,492)	(735,055)	27%
General and administrative expenses	(605,153)	(663,128)	57,975	-8.7%
<b>Total expenses</b>	<b>(4,063,700)</b>	<b>(3,386,620)</b>	<b>(677,080)</b>	<b>20.0%</b>
<b>Income (loss) from operations</b>	<b>1,825,623</b>	<b>2,454,688</b>	<b>(629,065)</b>	<b>-25.6%</b>
Insurance claim compensation – net	126,500	–	126,500	100%
Gain (loss) from sale of investments	265,152	209,700	55,452	26.4%
Gain from sale of land	38,820	–	38,820	100%
Impairment of assets and projects written off	–	(67,400)	67,400	-100%
Financial charges – net	(207,289)	(236,553)	29,264	-12.4%
<b>Income (loss) before zakat and foreign income tax</b>	<b>2,048,806</b>	<b>2,360,435</b>	<b>(311,629)</b>	<b>-13.2%</b>
Zakat and income tax	(137,702)	(180,426)	42,724	-23.7%
<b>Income from continuing operations</b>	<b>1,911,104</b>	<b>2,180,009</b>	<b>(268,905)</b>	<b>-12.3%</b>
Income from discontinued operations	–	50,285	(50,285)	-100%
<b>Net income before minority interests</b>	<b>1,911,104</b>	<b>2,230,294</b>	<b>(319,190)</b>	<b>-14.3%</b>
Share of minority interests in the net income (loss) of consolidated subsidiaries	(119,357)	(157,975)	38,618	-24.4%
<b>Net income</b>	<b>1,791,747</b>	<b>2,072,319</b>	<b>(280,572)</b>	<b>-13.5%</b>

Notes: Certain comparative figures in the financial statements have been reclassified to conform to this year's presentation.

Reasons for variances in profitability and operating results for 2015 compared to last year are described under 'Reasons for variance' in 3-B above.

**3 Summary of consolidated performance** (continued)

E) Consolidated Financial Statements 2011-2015

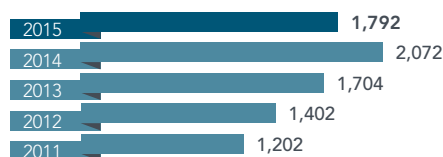
E-1) Consolidated Income Statement 2011-2015

Income	2015 (SAR'000)	2014 (SAR'000)	2013 (SAR'000)	2012 (SAR'000)	2011 (SAR'000)
Revenues – net	26,425,416	26,587,842	25,280,718	27,391,493	25,195,702
Cost of sales	(21,332,207)	(21,724,122)	(20,507,182)	(22,599,544)	(21,224,980)
<b>Gross profit</b>	<b>5,093,209</b>	<b>4,863,720</b>	<b>4,773,536</b>	<b>4,791,949</b>	<b>3,970,722</b>
Net profit from investment	796,114	977,588	760,379	578,567	440,613
Other income – net	–	–	–	–	96,767
<b>Total income</b>	<b>5,889,323</b>	<b>5,841,308</b>	<b>5,533,915</b>	<b>5,370,516</b>	<b>4,508,102</b>
Selling and marketing	(3,458,547)	(2,723,492)	(2,443,192)	(2,323,952)	(2,144,813)
General and administrative	(605,153)	(663,128)	(600,996)	(590,317)	(562,472)
<b>Total expenses</b>	<b>(4,063,700)</b>	<b>(3,386,620)</b>	<b>(3,044,188)</b>	<b>(2,914,269)</b>	<b>(2,707,285)</b>
<b>Income (loss) from operations</b>	<b>1,825,623</b>	<b>2,454,688</b>	<b>2,489,727</b>	<b>2,456,247</b>	<b>1,800,817</b>
Insurance claim compensation – net	126,500	–	–	–	–
Gain (loss) from sale of investments	265,152	209,700	231,411	46,651	152,781
Gain from sale of land	38,820	–	–	–	–
Impairment of assets and projects written-off	–	(67,400)	(100,000)	–	(35,366)
Financial charges – net	(207,289)	(236,553)	(240,167)	(427,381)	(317,472)
<b>Income (loss) before zakat and income tax</b>	<b>2,048,806</b>	<b>2,360,435</b>	<b>2,380,971</b>	<b>2,075,517</b>	<b>1,600,760</b>
Zakat and income tax	(137,702)	(180,426)	(303,321)	(268,148)	(132,024)
<b>Income from continuing operations</b>	<b>1,911,104</b>	<b>2,180,009</b>	<b>2,077,650</b>	<b>1,807,369</b>	<b>1,468,736</b>
Income from discontinued operations	–	50,285	69,519	–	–
<b>Net income before minority interests</b>	<b>1,911,104</b>	<b>2,230,294</b>	<b>2,147,169</b>	<b>1,807,369</b>	<b>1,468,736</b>
Share of minority interests in the net income (loss) of consolidated subsidiaries	(119,357)	(157,975)	(442,688)	(405,160)	(266,360)
<b>Net income</b>	<b>1,791,747</b>	<b>2,072,319</b>	<b>1,704,481</b>	<b>1,402,209</b>	<b>1,202,376</b>

**Revenues and net income 2011-2015**

**Net income**

(SAR millions)



**Revenues**

(SAR millions)



**Shareholders' equity and total assets 2011-2015**

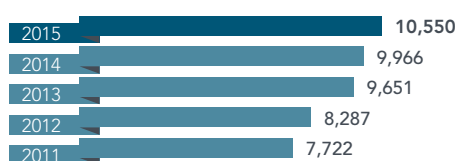
**Total assets**

(SAR millions)



**Shareholders' equity**

(SAR millions)



### 3 Summary of consolidated performance (continued)

#### E-2) Consolidated Balance Sheet 2011-2015

Balance Sheet	2015 (SAR'000)	2014 (SAR'000)	2013 (SAR'000)	2012 (SAR'000)	2011 (SAR'000)
Current assets	9,406,246	10,237,717	9,040,383	8,544,892	7,773,813
Current liabilities	10,191,996	10,161,490	9,102,352	9,302,929	7,740,279
<b>Working capital</b>	<b>(785,750)</b>	<b>76,227</b>	<b>(61,969)</b>	<b>(758,037)</b>	<b>33,534</b>
Current assets	9,406,246	10,237,717	9,040,383	8,544,892	7,773,813
Other non-current assets	9,721,160	9,408,393	9,339,515	9,016,692	6,943,133
Property, plant, and equipment (fixed assets)	7,906,703	6,755,516	6,382,958	5,779,951	5,384,430
<b>Total assets</b>	<b>27,034,109</b>	<b>26,401,626</b>	<b>24,762,856</b>	<b>23,341,535</b>	<b>20,101,376</b>
Current liabilities	10,191,996	10,161,490	9,102,352	9,302,929	7,740,279
Long-term loans	4,579,096	4,602,713	4,126,378	3,612,246	2,821,494
Other liabilities	756,951	709,371	642,581	544,308	468,786
<b>Total liabilities</b>	<b>15,528,043</b>	<b>15,473,574</b>	<b>13,871,311</b>	<b>13,459,483</b>	<b>11,030,559</b>
Paid-up capital	5,339,807	5,339,807	5,339,807	5,000,000	5,000,000
Retained earnings and reserves	5,210,222	4,626,359	4,311,170	3,286,670	2,722,467
<b>Shareholders' equity</b>	<b>10,550,029</b>	<b>9,966,166</b>	<b>9,650,977</b>	<b>8,286,670</b>	<b>7,722,467</b>
Minority interests	956,037	961,886	1,240,568	1,595,382	1,348,350
<b>Total liabilities and shareholders' equity</b>	<b>27,034,109</b>	<b>26,401,626</b>	<b>24,762,856</b>	<b>23,341,535</b>	<b>20,101,376</b>

Note: Certain comparative figures in the financial statements have been reclassified to conform to this year's presentation.

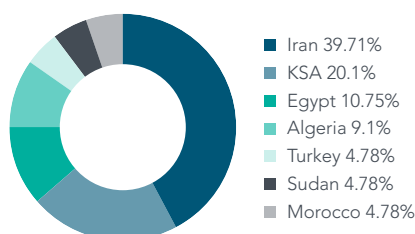
### 4 Summary of Group sectors and investments

#### Foods sector (Savola Foods Company)

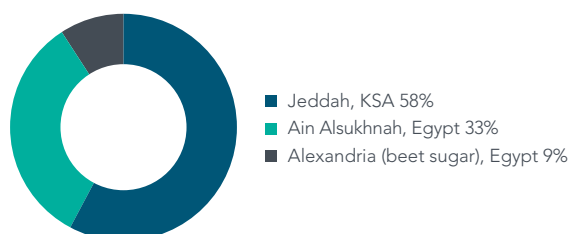
Savola Foods Company (closed joint stock company) operates through its subsidiaries in the Kingdom, several Middle East countries, North Africa, and Turkey. Savola Foods is the flagship company of the Foods sector, owning the operations in seven countries covering the Middle East, North Africa and Central Asia region, ie Saudi Arabia, Egypt, Iran, Turkey, Algeria, Morocco, and Sudan. Savola Foods owns leading high-quality brands in edible oil, ghee, sugar, pasta products, and other food activities that are marketed across 30 countries, maintaining market leadership in most of the countries in which it operates.

Total production capacity of the Group's edible oil refineries reached 2.09 million tons per year and production capacity of the sugar refineries reached 2.25 million tons per year. Production capacity percentages by geography are:

**Edible oil**  
(Percentage)



**Sugar**  
(Percentage)



Note: Excludes pasta factories in Egypt with total production capacity of 240,000 tons per year.

During 2015, Savola Foods achieved sales volume of 4.03 million tons, an annual increase of 1.3% compared to 2014. The company reported revenues of SAR 13.1 billion compared to the previous year's SAR 14.6 billion. Net income reached SAR 687 million compared to SAR 610 million in 2014. These exceptional results in the Foods sector were achieved despite many market challenges, locally and regionally. These included the availability of hard currency to purchase raw materials, devaluation of currency exchange rates, inflation in many economies that the company operates in, and political challenges that some of these countries are experiencing.

**4 Summary of Group sectors and investments (continued)**

**Acquisition and joint venture**

Expansion of the Foods sector has been a key objective, aiming to build value in the business. The sector signed a partnership agreement with Thai Union Group to produce and market innovative high-quality seafood products for consumers in Saudi Arabia and the Middle East, leveraging the specialized experience of the strategic partner. The initial investment will be USD 30 million (SAR 112.5 million), of which Savola has a 50% share. The project has begun gradually and will be completed through a series of phases.

The Foods sector also assumed control of Notrika Golden Wheat Company, owner of the Pech Pech brand that specializes in bakery and sweets (such as croissants and cake) in Iran. The value of this acquisition is SAR 40.8 million, of which Savola Foods Company owns 90% through its subsidiary.

Strategically, the Foods sector will continue to focus on core activities while maintaining efforts to expand its added-value product range in Saudi Arabia, the GCC, Egypt, Iran, and other markets.

**Retail sector (Panda Retail Company)**

Panda Retail Company (closed joint stock company), which operates the Group's retail business, reported revenues of SAR 13.5 billion, an increase from 2014. This resulted in net income of SAR 146 million, compared to SAR 503 million the previous year. The decrease in profit is mainly attributed to infrastructure investment, major expansion in the number of hypermarket, supermarket, and Pandati outlets, and the nature of the company's supply system – all taking time to reach maturity and deliver the anticipated profitability.

Panda operates a network of 498 stores: 63 hypermarkets in Saudi Arabia and one in Dubai, 151 supermarkets in Saudi Arabia and one in Egypt, and 282 convenience stores across more than 40 Saudi cities. In total, Panda serves more than 120 million consumers. Growth in the number of stores for the years up to 2015 is illustrated below:

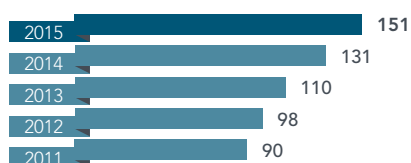
**Growth of Panda hypermarkets**

(Number of stores in Saudi Arabia)



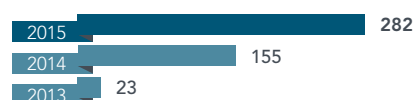
**Growth of Panda supermarkets**

(Number of stores in Saudi Arabia)



**Growth of Panda convenience stores (Pandati)**

(Number of stores in Saudi Arabia)



In addition to its operations and activities in Saudi Arabia, Panda began its phased regional expansion by opening its first store in Egypt, achieving outstanding success and acceptance from customers. The company is planning further expansion in Egypt, which will contribute to the growth of sales and net profit.

Panda has maintained its leadership in the retail market, recognized as the largest and fastest-growing operator in the Kingdom. This is illustrated through a strategic plan focusing on organic growth to expand coverage of the main centers, the opening of outlets in new cities, a number of innovative solutions in distribution, supply and marketing, and expansion into non-food product lines.

One element of Panda's strategic plan is the new 107,000 m<sup>2</sup> distribution center in King Abdullah Economic City in the Western region, with annual capacity of up to 105,000 pallets. This is the company's second major distribution center, the first being in Riyadh. Launched in November 2015, it offers the latest warehouse management tools. New enterprise resource planning enables the staff to conduct all operations using one system, improving coordination between departments and raising customer satisfaction. The new system is being implemented in several phases to include retail management, order prediction, storage management, human resources, and financial management.

The company's expansion strategy in 2015 included continuous growth in sales volumes by increasing the number of outlets and enhancing its leadership in the retail sector. The company is also targeting savings from economies of scale to enhance profit margins and provide better value for customers.



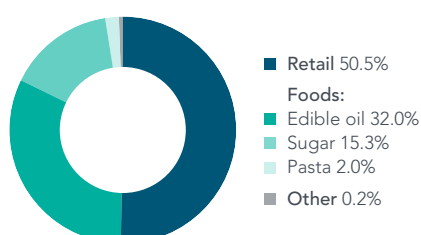
#### 4 Summary of Group sectors and investments (continued)

##### Geographical analysis of 2015 revenues compared to last year

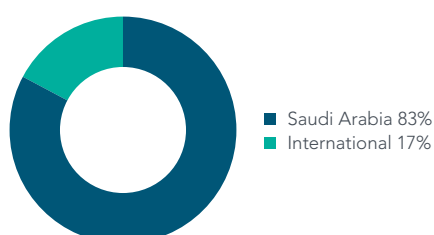
Below is the Group's consolidated revenue for 2015 compared to 2014, based on the sector and various activities of the Group (edible oils and vegetable ghee, sugar and sweeteners, pasta, and retail sector), including geographical analysis based on brands and the countries where they are available:

Business line/country	Products/brands	2015 (SAR'000)	2014 (SAR'000)
<b>Edible oil and vegetable ghee</b>			
KSA, GCC and Yemen	Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal, Afia Canola	2,093,149	2,175,768
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	1,303,857	1,219,436
Iran	Ladan, Aftab, Bahar, Afia	2,701,598	3,463,111
Kazakhstan	Lito, Khazayoushka	–	28,607
Sudan	Al Tayeb, Sabah, Shams	717,946	615,436
Morocco	Afia, Hala	275,532	294,973
Turkey	Yudum, Sirma	945,385	1,004,057
Algeria	Afia, Oleor	467,466	547,487
Intercompany elimination	–	(22,620)	(8,111)
<b>Total edible oil</b>		<b>8,482,313</b>	<b>9,340,764</b>
<b>Sugars and sweeteners</b>			
KSA, GCC and Yemen	Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva	2,477,731	2,937,614
Egypt	Al Osra	1,734,557	1,833,017
Intercompany elimination	–	(109,878)	(19,321)
<b>Total sugars and sweeteners</b>	–	<b>4,102,410</b>	<b>4,751,310</b>
<b>Pasta product – Egypt</b>			
<b>Total pasta product</b>	El Maleka, Macaronto, Italiano	527,301	499,874
<b>Retail</b>			
KSA	Hyper Panda, Panda Supermarket, and Pandati	13,209,968	11,892,632
United Arab Emirates/Dubai	Hyper Panda	312,660	311,745
Egypt	Panda Super	10,103	–
<b>Total retail</b>		<b>13,532,731</b>	<b>12,204,377</b>
<b>Others</b>			
Real estate, KSA		144,856	127,173
<b>Total other activities</b>		<b>144,856</b>	<b>127,173</b>
<b>Total revenues</b>		<b>26,789,611</b>	<b>26,923,498</b>
Consolidation intercompany elimination		(364,195)	(335,656)
<b>Total revenues</b>		<b>26,425,416</b>	<b>26,587,842</b>

Sector contribution to Group revenues  
(Percentage)



Net income geographic analysis  
(Percentage)



### 4 Summary of Group sectors and investments (continued)

#### Investment sector

The Group owns several significant non-managed investments:

#### 1 Almarai Company

Almarai, a listed joint stock company, 36.52% owned by Savola, is the leading food and beverage manufacturing and distribution company operating across Saudi Arabia and the GCC region. Its activities include fresh yoghurt, cheese, juice sectors that are branded as Almarai. In addition, the company has a bakery sector branded L'usine and Seven Days, and a poultry sector branded Alyoum. Savola considers its holding in Almarai as a strategic investment, due to the company's outstanding performance, continuing expansion, and excellent returns. Almarai recorded a net profit of SAR 1.91 billion for the year ended December 31 2015, compared to the previous year's SAR 1.67 billion.

#### 2 Herfy Food Services Company

Herfy Food Services Company (a listed joint stock company 49% owned by Savola directly and indirectly) mainly focuses on operating a chain of fast food restaurants throughout Saudi Arabia and other countries. In addition, it operates in the bakery, sweets, and meat sectors with an extensive distribution network. Savola considers Herfy a good return on investment. Herfy recorded a net profit of SAR 202.68 million for the year ended 31 December 2015, compared to SAR 205.80 million in 2014.

#### 3 Real estate development

The Group has various investments in companies engaged in real estate projects, such as Kinan International Company for Real Estate Development (a closed joint stock company 29.9% owned by Savola). Savola also owns 11.5% (direct and indirect) in Knowledge Economic City, listed on the Tadawul, and minor stakes in other real estate companies such as Dar Altamluk and King Abdullah Economic City.

#### 4 Private equity

Other non-managed investments owned by the Group include:

##### 4-1 Swicorp Saudi

The Group holds 15% of this financial services company's issued capital. Swicorp has reported profits over the past few years.

##### 4-2 Swicorp Joussour Fund

Joussour is a private equity firm that focuses on petrochemicals, energy-intensive industries, and infrastructure. The Group holds 15% of its equity.

##### 4-3 Intaj Capital Limited Fund

Intaj is a private equity fund managed by Swicorp and focused on industries driven by consumer demand in the MENA region. The Group holds 49% of its total equity.

### 5 Key developments and decisions in 2015

#### A) Divestment of the Plastics sector

In the first quarter of 2015, Savola sold the Plastics sector, which was managed and owned by its subsidiary Savola Packaging Systems Company and its subsidiaries (Alsharq Plastic Productions and New Marina in Egypt) to Takween Advanced Industries for a total of SAR 910 million. As a result of this transaction, Savola achieved a capital gain of SAR 265 million, which was reflected in the company's financial results for the first quarter of 2015.

#### B) Settlement of the warehouse fire insurance claim

The company reached a full and final settlement with Al Alamiya Cooperative Insurance regarding damage to the United Sugar Company (USC) facilities and business interruption caused by a fire on 20 June 2013. The amount agreed was SAR 548 million, net of policy excesses. After the settlement, USC rebuilt the fire-damaged property. The insurance claim settlement had a net positive impact of SAR 94 million on the Group's income statement for the fourth quarter of 2015.

#### C) Financial impact of energy price rises

In light of the Saudi Council of Ministers' resolutions issued on Monday, 28 December 2015, Savola announced its estimate of the expected full impact of the increase in the prices of energy products and electricity tariffs. This amounts to an additional cost of about SAR 105 million during 2016. The Group also confirmed that it will continue its efforts to optimize the utilization of energy resources, and maintain effective management of its operations through production line efficiency and adoption of other initiatives to minimize the impact of the cost increase.

## 5 Key developments and decisions of 2015 (continued)

### D) Unclaimed dividends for previous years

Because it is important for Savola to consider shareholder rights and notify them of its latest earnings, the Group continued to update the list of shareholders who have not claimed dividends from previous years. This is due to shareholders not contacting the Group's management, not updating their contact details, or failing to update their investment portfolio numbers to comply with Tadawul regulations.

### E) Savola moves the Group headquarters to Savola Tower

In November 2015, Savola moved its Group and subsidiary headquarters in Jeddah from the Saudi Business Center to the Savola Tower at Headquarters Business Park. This step unifies the corporate headquarters and the management of subsidiary companies, reducing administrative costs and rent while fostering teamwork at the Group and subsidiary levels. Surplus space in the tower will become an investment for the Group by leasing it to other parties.

### F) Appointment of new Board member

During 2015, the Savola Board of Directors appointed Mr Omar Hadir Nasrat Al-Farisi as an independent director, serving until the end of the Board office term ending on 30 June 2016. He succeeds Dr Abdulraouf Mohammed Mannaa who resigned as a non-executive director. The new appointment is not final, and will be presented for approval to the next General Assembly (scheduled for 19 April 2016).

### G) Appointment of new Chief Executive Officer

The Group announced the appointment of Eng Rayan Mohammed Fayez as CEO on 1 January 2016. He assumed his position from 1 March 2016. To facilitate the handover process, Eng Abdullah M. N. Rehami will continue as Managing Director up to the end of the term of office of the current Board of Directors on 30 June 2016. Eng Fayez holds a Bachelor of Science degree in Mechanical Engineering from the Massachusetts Institute of Technology and has distinguished experience in investment, leadership and finance, having been Managing Director and Chief Executive of JP Morgan in Saudi Arabia.

## 6 Potential risks

### A) Overview

The Group, like any other economic entity, may be affected by risks through the nature of its commercial activities in basic food commodities, retail, and other investments. The risks may be summarized in the possibility of Group operations being exposed to geopolitical risks that result from its operations outside the Kingdom, as well as fluctuations in raw material prices, currencies, speculation, and unfair price competition in the local and international markets where it operates. There are also economic and political risks in the countries where it operates and risks pertaining to new markets in the region, in line with the Group's geographic expansion strategy.

Further risks include fluctuation in foreign currency, exchange rates against the Saudi Riyal, or other currencies of the countries that the Group operates in, and inflation in the economies of countries where the Group operates; risks related to entering into new investments; and risks that might be associated with the current economic conditions and political situation in countries where the Group operates or exports its products, as they do in a number of countries in the region, which affected the Group's operations in those countries.

In addition, there are risks that face the Group from its various investment shareholdings in different companies and funds, locally and internationally. The Group and its subsidiaries manage these risks through its Board of Directors, Audit & Risk Management Committees, Management Risk Committees, and various departments and task forces within the Group. The Group is focused on continuously developing and improving a sound risk management system across the Group.

### B) Specific risks

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks, and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates, and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk, and fair value and cash flow interest rate risks.

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, accounts receivable, investments, long-term receivables, short-term and long-term borrowings, accounts payable and accrued, and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 6 Potential risks (continued)

#### a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, Sudanese Pounds, and Turkish Lira.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates, whose net assets are exposed to currency exchange risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Iranian Riyals, Turkish Lira, Egyptian Pounds, and Sudanese Pounds. Such fluctuations are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages their effect on the consolidated financial statements accordingly.

#### b) Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from its short-term deposits and bank borrowings, which are at a floating rate of interest and subject to re-pricing on a regular basis. Management monitors the changes in interest rates. During 2014, the Group entered into interest rate swaps (IRS) to manage its exposure to interest rate risk. Such IRS are designated as a cash flow hedge.

#### c) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk, which refers to the Group's investment in certain listed equities that are classified on the consolidated balance-sheet as available-for-sale investments. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities. USCE and USC use derivative financial instruments (commodity future contracts) to hedge price risk of raw material in the sugar business.

#### d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash and cash equivalents are placed with banks with high credit ratings. Accounts and other receivables are carried net of provision for doubtful debts.

#### e) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by regular monitoring that sufficient funds are available, which may include making liquidity available through committed credit facilities to meet any future commitments.

### 7 Plans to comply with International Financial Reporting Standards (IFRS)

The Savola Group has been working intensively since the decision to convert current statutory financial statements from the Generally Accepted Accounting Principles in Saudi Arabia (Saudi GAAP) to International Financial Reporting Standards (IFRS). Thus, the Group will be ready to publish its statutory financial statements (quarterly and annually) according to IFRS as of 1 January, 2017. The Group has taken steps to ensure that:

- The Group has not only invested in its own resources but engaged a professional firm – KPMG Al Fozan and Al Sadhan ('the consultants') – during 2014 and 2015 while working with the Group's financial management, to develop a road map for successful implementation of this project within the prescribed deadline, and to assist in execution of different phases.
- The consultants also emphasized that the Group will be required to compare its first-time financial statements according to IFRS in 2017 to statements that were already prepared according to IFRS in 2016. The Group is working with the consultants to achieve this.
- The Group is investing in developing its own resources. This includes a plan to train concerned employees and develop the Group and subsidiary IT systems and infrastructure to meet the requirements of this change.

### 8 Long- and short-term loans of the Group and subsidiaries

Savola has a long-standing policy to adopt Shariah-compliant financial transactions wherever possible. Accordingly, all Group loans and deposits within Saudi Arabia are Shariah-compliant, as well as some arranged by overseas subsidiaries.

As part of these efforts, the Group issued its first tranche of sukuk in 2013. However, some loans arranged by overseas subsidiaries are subject to structure and policies adopted in those countries, which may differ from those in Saudi Arabia.

Finance charges for Group loans (short- and long-term borrowings) from various commercial banks and financial institutions that Savola secured during 2015 for 2016 (according to the prevailing rates of the market) reached SAR 372.9 million compared to SAR 379.7 million in the previous year. With regards to loan guarantees granted by the Group to its subsidiaries (mentioned in the table below), the Group usually signs promissory notes as a guarantee to its own loan and a corporate guarantee for some of its subsidiaries' loans, according to the requirements of the lending banks or financial institutions.

## 8 Long- and short-term loans of the Group and subsidiaries (continued)

Details of long-term and short-term loans of the Group and its subsidiaries obtained in the normal course of business:

### a) Long-term loans as of 31 December, 2015 (SAR '000)

Borrowing company	Lender	Loan period	Date issued	Original amount	Paid amount in 2015	Balance Dec '2015	Balance Dec '2014
Savola Group	Banque Saudi Fransi	5 years	Dec-13	500,000	192,308	307,692	500,000
		5 years	Mar-10	1,000,000	200,000	–	200,000
	Bank Aljazira	2 years	Dec-14	250,000	–	250,000	250,000
		2 years	Dec-14	200,000	–	200,000	200,000
		2 years	Dec-14	200,000	–	200,000	200,000
	Saudi Investment Bank	5 years	Dec-12	250,000	62,500	125,000	187,500
		5 years	Mar-12	500,000	93,750	31,250	125,000
Sukuk		7 years	Jan-13	1,500,000	–	1,500,000	1,500,000
Total Savola Group						<b>2,613,942</b>	<b>3,162,500</b>
Panda Retail	Banque Saudi Fransi	5 years	Mar-14	500,000	–	500,000	500,000
	Samba Financial Group	2 years	Dec-14	50,000	–	50,000	50,000
	AlRajhi Bank	2 years	Dec-14	250,000	250,000	–	250,000
	National Commercial Bank	4 years	Jul-15	300,000	–	300,000	–
	Saudi British Bank	5 years	Dec-15	300,000	–	300,000	–
Total Panda Retail Company						<b>1,150,000</b>	<b>800,000</b>
Afia – Saudi Arabia	Samba Financial Group	2 years	Sep-14	150,000	150,000	–	150,000
		5 years	Dec-14	350,000	28,125	321,875	350,000
	Saudi British Bank	4 years	Mar-15	100,000	–	100,000	–
Kugu	Hongkong and Shanghai Banking Corp.	8 years	Jan-11	62,475	10,413	36,444	46,856
Total Afia International Company						<b>458,319</b>	<b>546,856</b>
Afia Algeria	Fransabank	5 years	Oct-12	21,113	4,914	4,311	9,225
		2 years	Aug-15	6,236	–	6,236	–
Total Savola Foods Emerging Company						<b>10,547</b>	<b>9,225</b>
El Maleka	Qatar National Bank	5.3 years	Feb-14	9,890	–	9,890	9,890
		3.5 years	Dec-15	4,975	–	4,975	–
	National Bank of Kuwait	5.5 years	Sep-14	7,587	7,419	168	7,587
		4 years	Nov-15	19,247	–	19,247	–
Total Pasta – Egypt						<b>34,280</b>	<b>17,477</b>
SIIC	Saudi British Bank	5 years	Jan-10	138,000	34,500	–	34,500
USC	Banque Saudi Fransi	2 years	Dec-14	100,000	–	100,000	100,000
	Commercial International Bank	7 years	Mar-10	529,937	28,287	487,870	516,157
ASC Egypt	Egyptian Saudi Finance Bank (AlBaraka)	5 years	Jul-09	24,366	4,336	2,047	6,383
USC Egypt	Standard Chartered Bank	6 years	Aug-11	187,500	31,977	23,841	55,818
Alexandria UCLR	National Bank of Kuwait (Egypt)	5.5 years	Jan-15	77,512	20,477	57,035	–
Total Savola Industrial Investment Company						<b>670,793</b>	<b>712,859</b>
IFI	Saudi British Bank	4.75 years	Nov-15	170,000	–	170,000	–
Total IFI						<b>170,000</b>	<b>–</b>
<b>Total Long-Term Loans</b>						<b>5,107,881</b>	<b>5,248,917</b>

**8 Long- and short-term loans of the Group and subsidiaries (continued)**

## b) Short-term loans as of 31 December, 2015 (SAR '000)

Borrowing company	Lender	Loan period	Date issued	Balance Dec '2015	Balance Dec '2014
Savola Group	Saudi British Bank	1 month	Dec-15	230,000	
	Samba Financial Group	6 months	Dec-15	100,000	
		1 month	Dec-15	80,000	
	National Commercial Bank	6 months	Dec-15	210,000	
		1 month	Dec-15	220,000	
		1 month	Dec-15	85,000	
	AlRajhi Bank	6 months	Dec-15	150,000	
		1 month	Dec-15	90,000	
	Riyadh Bank	6 months	Dec-15	150,000	
		1 month	Dec-15	190,000	
Total Savola Group			1,505,000	668,000	
Panda Retail Company	Saudi British Bank	1 month	Dec-15	140,000	
	Banque Saudi Fransi	1 month	Dec-15	50,000	
	National Commercial Bank	1 month	Dec-15	280,000	
		1 month	Dec-15	50,000	
		1 month	Dec-15	200,000	
	Samba Financial Group	1 month	Dec-15	150,000	
		1 month	Dec-15	90,000	
Total Panda Retail Company			960,000	880,000	
Afia International – Egypt	Emirates National Bank	1 year	Aug-15	39,536	
	National Bank of Abu Dhabi	1 year	Jan-15	58,662	
	Arab Bank – Egypt	1 year	Aug-15	458	
		1 year	Aug-15	28,132	
	Arab African International Bank	1 year	Sep-15	196,551	
	Egyptian Saudi Finance Bank (AlBaraka)	1 year	Sep-15	5,852	
		1 year	Sep-15	32	
	Mashreq Bank	1 year	Sep-15	453	
		1 year	Sep-15	31,182	
	Hongkong and Shanghai Banking Corp.	1 year	Nov-15	106,734	
Behshahr Industrial Company	Mellat Bank	6 months	Aug-15	15,460	
		6 months	Nov-15	31,009	
	Tejarat Bank	6 months	Jun-15	1,921	
	Eghtesad Novin Bank	1 year	Feb-15	7,495	
Yudum	Garanti Bankasi	1 year	Dec-15	63,841	
Total Afia International Company			587,318	795,667	
Afia Intl – Algeria	Hongkong and Shanghai Banking Corp.	6 months	Jul-15	9,861	
		6 months	Nov-15	28,112	
	Arab Bank	6 months	Sep-15	4,240	
		6 months	Aug-15	16,280	
	Fransabank	9 months	Sep-15	3,984	
		5 months	Oct-15	28,172	

b) Short-term loans as of 31 December, 2015 (SAR '000) (continued)

Borrowing company	Lender	Loan period	Date issued	Balance Dec '2015	Balance Dec '2014
Savola Edible Oils – Sudan	Bank of Khartoum	8 months	May-15	2,402	
		8 months	Jun-15	5,223	
		8 months	Aug-15	13,542	
		9 months	Dec-15	11,541	
		9 months	Dec-15	24,922	
	National Bank of Egypt	9 months	Nov-15	24,307	
	Qatar National Bank	9 months	Nov-15	7,989	
<b>Total Savola Foods Emerging Company</b>				<b>180,575</b>	<b>165,712</b>
El Farasha	National Bank of Kuwait (Egypt)	6 months	Dec-15	11,022	
		6 months	Dec-15	2,205	
El Maleka	Qatar National Bank	6 months	Dec-15	1,341	
		6 months	Dec-15	9,673	
		6 months	Dec-15	5,250	
		6 months	Dec-15	79	
		1 year	Mar-15	6,668	
<b>Total Pasta (Egypt)</b>				<b>36,238</b>	<b>109,559</b>
United Sugar Company	Saudi British Bank	1 year	Jan-15	290,000	
	Samba Financial Group	1 year	Jan-15	55,000	
		1 year	Jan-15	85,000	
Alexandria Sugar Company	Commercial International Bank	1 year	Oct-15	14,868	
	Bank of Alexandria	1 year	Dec-15	147,769	
	Egyptian Saudi Finance Bank (AlBaraka)	1 year	Sep-15	57	
United Sugar Company – Egypt	Standard Chartered Bank	1 year	Aug-15	225,000	
	Commercial International Bank	1 year	Sep-15	127,008	
		1 year	Mar-15	90,000	
	National Bank of Abu Dhabi	1 year	Apr-15	97,106	
<b>Total Savola Industrial Investment Company</b>				<b>1,131,808</b>	<b>1,345,141</b>
Savola Foods Company	Saudi Investment Bank	2 months	Dec-15	31,883	
<b>Total Savola Foods Company</b>				<b>31,883</b>	<b>0</b>
<b>Total Short-Term Borrowing</b>				<b>4,432,822</b>	<b>3,964,079</b>

9 Summary of payments made to the Government

Item description (payments)	2015 (SAR'000)	2014 (SAR'000)
Customs duties/fees	180,194	130,534
Zakat and income tax	157,575	184,386
GOSI (Saudi Arabia) and social insurance (outside Saudi Arabia)	127,763	96,927
Visa and Government fees	63,576	9,632
Other duties and Government levies	13,475	17,017
<b>Total</b>	<b>542,583</b>	<b>438,495</b>

Illustrating Savola's commitment to enhancing its relationship with shareholders, investors, and all stakeholders, the Group strongly believes in the importance of corporate governance to protect shareholders' rights and maintain effective internal controls through the activation of the Board and its committees' roles, and its commitment to disclosure and transparency. During 2015 the Group continued to implement and comply with the corporate governance regulations of Saudi Arabia's Capital Market Authority and other relevant regulations.

In addition to the performance and financial results previously outlined, Savola discloses information to its investor community in line with relevant regulations and best international practices adopted by the Group in corporate governance and transparency. These are as follows:

### Disclosures required by corporate governance, other related regulations, and international best practice

As part of corporate governance requirements, the Group discloses the following information that is of interest to its shareholders, investor audience, stakeholders, and other relevant parties:

#### A) Shareholder rights and communication

Based on the Group's belief in the importance of the rights of shareholders, investors, and stakeholders, and in light of applicable regulations, these rights are a part of the Group's Articles of Association and Corporate Governance Manual, available on the Savola website. The Group's measures to ensure fulfillment of shareholder rights are summarized as follows:

##### A-1) Shareholder access to information

The Group publishes financial statements, announcements, and key decisions on the Saudi Stock Exchange (Tadawul) website, in daily newspapers, the annual Directors' Report, and in Savola's quarterly newsletter, which is published in Arabic and English and communicated by email to investors, shareholders, and employees. It can also be accessed through Savola's website. A dedicated department manages and deals with shareholder affairs.

##### A-2) Savola Group equity profile as of 31 December 2015

Detail	Value/SAR/ Number of shares
Company authorized capital (SAR)	5,339,806,840
Issued shares (all company's shares are ordinary shares)*	533,980,684
Floated issued shares (as per Tadawul records) as at 31 December 2015**	399,969,575
Paid-up capital (SAR)	5,339,806,840
Nominal value per share (SAR)	SAR 10
Paid-up value per share (SAR)	SAR 10

**Notes:** \* Declaration: The Group does not have preferred shares or shares with special priority in voting, issued to shareholders, directors, or employees. All shares of the Group are ordinary shares of equal nominal value and rank equally in voting and other rights as per regulations.

\*\* The total number of floated shares changes from time to time based on the trading movement of Savola Group shares on the Saudi Stock Market.

##### A-3) Dividend policy

In line with Article 43 of Savola Group's Articles of Association, the dividend distribution policy is characterized as follows:

- 1 Allocating 10% of net profits to establish statutory reserves. The General Assembly is authorized to maintain this allocation until the reserve is equal to half the Group's capital.
- 2 Of the remaining net profits, a first payment at 5.0% of paid-up capital is distributed to shareholders.
- 3 7.5% of the balance is allocated as remuneration for members of the Board of Directors.
- 4 The balance can then be distributed to shareholders as additional dividends.



## A) Shareholder rights and communication (continued)

### A-3) Dividend policy (continued)

In line with this policy, and based on the Board of Directors' recommendations, the Group distributes quarterly cash dividends in the range of 50% to 60% of net profit achieved during each financial year. However, this may be affected by the potential reduction in consumer spending in 2016. Therefore the Group will continue its distribution policy (distributing a percentage of net profit) based on performance and giving priority to the need for cash flow to support long-term growth. In compliance with this policy, the Group distributed cash dividends to its shareholders and recommended dividend distribution during 2015 as detailed in item A-4 below.

Regarding the Board members' annual remuneration, as stipulated in the Company's Articles of Association and as mentioned in the dividend distribution policy above, this complies with Ministerial Resolution No 1071 dated 1412 AH issued by the Ministry of Commerce and Industry, specifying a ceiling for annual remunerations not to exceed SAR 200,000 for each Board member.

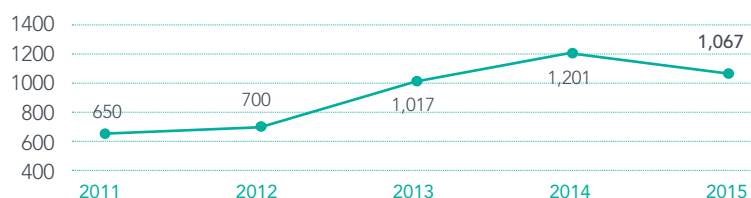
### A-4) Dividend distributions in 2015

Savola adhered to its declared policy of distributing quarterly cash dividends. The Board of Directors recommends the declaration and payment of quarterly dividends for 2015, which will be ratified by shareholders in the 2015 General Assembly.

Period	Total (SAR million)	Dividends per one share (SAR)	Notes
1st quarter	266.99	0.50	Already distributed
2nd quarter	266.99	0.50	Already distributed
3rd quarter	266.99	0.50	Already distributed
4th quarter	266.99	0.50	Recommended dividends for Q4 2015 are to be distributed after AGM approval, claimable by the end of the AGM meeting day scheduled for 19 April, 2016.
<b>Total</b>	<b>1,067.96</b>	<b>2.00</b>	

**Note:** The Company will continue to apply its policy of quarterly distribution of cash dividends in 2016, noting that the Board of Directors will determine the proposed dividend amounts. Entitlement date of distribution will be announced through the Saudi Stock Exchange (Tadawul) as per regulations.

### Dividend distributions 2011-2015 (SAR millions)



### A-5) Major shareholders

Shareholders owning 5% or more of the total shares of the Group, and movements in shareholdings during 2015, are as follows:

Name	Nationality	Shares # at the beginning of 2015	Ownership at the beginning of 2015	Shares # at the end of 2015	% at the end of 2015
Assila Investment Company (formerly MASC Holding Co)	Saudi company	60,000,000	11.23%	60,000,000	11.23%
General Organization for Social Insurance (GOSI)	Saudi Government Institution	54,658,575	10.23%	54,658,575	10.23%
Mr Abdullah M.A. Al Rabiah	Saudi	43,892,500	8.21%	43,892,500	8.21%
Abdulkadir Al-Muhaidib & Sons Company	Saudi company	42,551,296	7.97%	42,551,296	7.97%*
Al-Muhaidib Holding Company	Saudi company	33,980,684	6.36%	33,980,684	6.36%

**Note:** Regarding the declaration of movements in major shareholders' ownership, the Group confirms that it has not received any written notification during 2015 from any of its major shareholders indicating any changes or movement in their ownership percentages. The disclosed information is based on the Saudi Stock Exchange (Tadawul) records as at 31 December, 2015.

**A) Shareholder rights and communication** (continued)**A-6) Key dates concerning shareholders**

In accordance with international best practice in corporate governance, Savola advises shareholders of the following anticipated key events and dates during 2016:

Dates, 2016	Key events for 2016	Notes
<b>First quarter events, 2016</b>		
20 January	Audit & Risk Management Committee meeting to recommend approval of the financial results for the fourth quarter of 2015 and dividends to the Board.	To recommend that the Board approve the financial results and dividends for the fourth quarter of 2015.
20 January	Board of Directors' meeting.	To approve the financial results and dividends for the fourth quarter of 2015 based on the Audit & Risk Management Committee recommendation.
20 January-5 February	Issue Arabic and English versions of Savola newsletter for the fourth quarter of 2015.	The newsletter includes full coverage of the Group's and sectors' performance inside and outside KSA for the quarter. The newsletter is published and placed on the Savola website. It is also communicated by email to all employees and a large number of investors.
21 February	Board of Directors' meeting.	To approve the audited financial results for the year 2015 based on the Audit & Risk Management Committee recommendation, and call shareholders for the AGM.
<b>Second Quarter Events, 2016</b>		
19 April	The date of the EGM.	First to be announced on Tadawul, uploaded on the Group's website, and published in daily newspapers.
19 April	Board of Directors' meeting.	To approve the financial results and dividends for the first quarter of 2016 based on the Audit & Risk Management Committee recommendation.
19-21 April	Publishing financial results for the first quarter.	First to be announced on Tadawul, uploaded on the Group's website, and published in daily newspapers.
19-21 April	Announce the Board's decision for first quarter dividends to shareholders.	Dividend payment made within 15 days from the maturity date mentioned in Tadawul announcement.
21 April-6 May	Issue Savola newsletter (Arabic/English version) for the first quarter.	See item (3) in the notes column.
<b>Third Quarter Events, 2016</b>		
23 June	Audit & Risk Management Committee meeting.	To approve the financial results and dividends for the second quarter of 2016.
27 July	Board of Directors' meeting.	Review performance to date.
As publishing of Q2 financial results and the Board decision for Q2 dividends announcement will coincide with Eid Al Fitr holiday for the year 1437, the results will be announced during the statutory period that will be set by official authority (ie, after fixing the start and end date of the official holiday).		To approve the financial results for the second quarter 2016 and the dividends based on the Audit & Risk Management Committee recommendation.
10 days after Q2 financial results publication	Issue Savola newsletter (Arabic/English version) for the second quarter.	See item (3) in the notes column.
1 September	Board of Directors' meeting.	Review performance to date.
<b>Fourth Quarter Events, 2016</b>		
19 October	Board of Directors' meeting.	To approve the financial results and dividends for the third quarter 2016 based on the Audit & Risk Management Committee recommendation.
19-21 October	Publishing financial results for the third quarter.	See item (7) in the notes column.
19-21 October	Announce the Board's decision for the third quarter dividends to shareholders.	See item (8) in the notes column.
22 October-10 November	Issue Savola Newsletter for the third quarter (Arabic/English version).	See item (3) in the notes column.
15 December	Board of Directors' meeting to approve the Business Plan and Budget for 2017.	Approve the Business Plan and Budget for 2017.

**Note:** The dates above are approximate and may change according to notifications received from official authorities. Although the Group is keen to carry out these events on the planned dates, we assume no obligation from failure to do so.

## B) Disclosures related to the Board of Directors and Executive Management

The Board of Directors is responsible to the shareholders for managing the company in accordance with its Articles of Association, laws, and relevant regulations. The main role of the Board of Directors is to establish overall corporate strategies, plans, policies, and financial objectives; to establish and review internal control measures; and to ensure the effectiveness of internal controls across the Group. The Board approves financial budgets, oversees and monitors the performance of the Group, and ensures proper mechanisms to manage risks.

The Board protects the interests of shareholders and other relevant parties by approving policies that ensure the application and execution of the laws and regulations, and commits to disclose any key information related to the company and its performance, which may assist shareholders in evaluating its assets and liabilities.

The Group follows all requirements stipulated by the company's Articles of Association, Corporate Governance Code, and other internal policies. The detailed role of the Board has been articulated in the Articles of Association and Corporate Governance Manual, which are available on the Company's website ([www.savola.com](http://www.savola.com)).

### B-1) Board composition, qualifications, and Directors' membership of other companies

Savola's Articles of Association state that the Board of Directors should consist of 11 members, which complies with the Corporate Governance Regulation issued by the Capital Market Authority. The Board's current term of office began on 1 July 2013 and continues until 30 June 2016. The below table includes details of the names of current Board members, classification of their memberships in line with the Corporate Governance Regulations issued by the Capital Market Authority, qualifications, and other joint-stock companies where they hold Board positions:

#### Current Board members

Member name	Membership classification	Qualifications	Companies membership (listed and unlisted) where Savola directors currently hold board membership (excluding Savola Group memberships)
Mr Sulaiman A. Al Muhaidib (Chairman of the Board)	Non-Executive	Two years Faculty of Medicines (1985). He has extensive experience in business and contracting. He is also the Chairman of the Board of Directors of Al-Muhaidib Holding Group as well as being on the boards of a number of companies.	<b>Listed:</b> Saudi British Bank, The National Industrialization Company, Almarai Company. <b>Unlisted:</b> A. Abdulgadir AlMuhaidib & Sons Co, Jousour Holding Co, Rafal Real Estate Co, The Middle East Co for Paper Industry, Tatwear AlAoula Real Estate Co, the Arabian Co. for Energy and Water Development, Energy and Water Businesses Co.
Eng Abdullah M. N. Rehami (Appointed as CEO and Managing Director as of 1 January 2016) and as of that date becomes an Executive member.	Executive	Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals Sciences in Dhahran, Saudi Arabia (1975). He is a former President of the General Authority of Civil Aviation.	<b>Listed:</b> Knowledge Economic City Co, Almarai Co, Al Lujain Co, Saudi Cable Company. <b>Unlisted:</b> Panda Retail Co, Savola Foods Co, (representing Savola Group).
Mr Ibrahim M. Al Issa	Non-Executive	Bachelor of Business Administration, Chapman University, California, USA. (1974).	<b>Listed:</b> Banque Saudi Fransi, Yanbu Cement Co, and Almarai Co. <b>Unlisted:</b> Panda Retail Co, Savola Foods Co, (representing Savola Group).
Mr Bader A. Al Issa	Non-Executive	Master of Business Administration, Rice University, USA (2006); Bachelor of Arts in Economics, University of Virginia, USA (2001); Certified Financial Analyst (CFA).	<b>Listed:</b> Dur Aldeyafa Co, Knowledge Economic City Co. <b>Unlisted:</b> Savola Foods Co, Panda Retail Co, Afia International Co (representing Savola Foods), Assila Investment Co.
Mr Abdulaziz K. Al Ghufaily	Non-Executive	Master of Economics, USA (1990); Bachelor of Economics, King Saud University (1981).	<b>Listed:</b> Al Rajhi Bank, Herfy Foods Services Co.
Mr Essam A. Al Muhaidib	Non-Executive	Bachelor of Science (Statistics) from King Saud University (1985).	<b>Listed:</b> Herfy Food Services Co, Bawan Co. <b>Unlisted:</b> A. Abdulgadir AlMuhaidib & Sons Co, Masdar Building Materials, Al Rafal Real Estate Co, Zohoor Alreef Co, Al Balad Al Ameen Co, Emdad for Labour Co, Al Oula Real Estate Development, Arabian Co for Energy and Water Development, Panda Retail Co (representing Savola Group).

## Current Board members (continued)

Member name	Membership classification	Qualifications	Companies membership (listed and unlisted) where Savola directors currently hold board membership (excluding Savola Group memberships)
<b>Independent Board Members:</b>			
Mr Amin M. Shakir*	Independent	Master of Business Administration, University of Southwestern Oklahoma (1986); BA in Economics, Faculty of Administrative Sciences, King Saud University, Riyadh (1979); Joint Services Command and Staff College, Royal College of Defence Studies, UK (September 2002 - July 2003).	<b>Listed:</b> Red Sea Housing Services Co. <b>Unlisted:</b> Kinan International Co (representing Savola Group).
Mr Abdul Kareem A. Abu Alnasar	Independent	Master of Business Administration, American University, Cairo (1989); Bachelor of Business Administration, California State University (1985).	<b>Listed:</b> Yanbu National Petrochemical Co. <b>Unlisted:</b> Abdul Latif Jameel United Finance Co, Mohammad Abdul Aziz Al Rajhi & Sons Holding Co, Saudia Aerospace Engineering Industries, Kinan International Co (representing Savola Group).
Mr Mohammad A. Al Fadl	Independent	Bachelor of Economics and Marketing Sciences, University of San Francisco USA, (1977).	<b>Listed:</b> None. <b>Unlisted:</b> Jeddah Holding Co, Kinan International Co (representing Savola Group), Dar Al Tamlik.
Mr Fahad A. Al Kassim	Independent	Bachelor of Science in Management with a major in accounting, King Saud University, Riyadh (1986).	<b>Listed:</b> Dallah Healthcare Services Co, Jarir Marketing Co, Dur Aldeyafa Co. <b>Unlisted:</b> Abdultaif Al-Isaa Holding Co, Fahad A. Al Kassim & Sons Co for Investment & Trade, Saudi Co for Heritage Hospitality.
Mr Omar Hadir N. Al-Farisi	Independent	Bachelor in Economics from the University of Notre Dame (1991); J.D. from Columbia University School of Law (1994).	<b>Listed:</b> None <b>Unlisted:</b> Gulf International Bank.

Notes: \* Mr Amin M. Shakir resigned from the Board of Directors as of 11 February 2016.  
For more detail about Board members, please visit the Savola website: [www.savola.com](http://www.savola.com).

## B-2) Board meeting attendance

Six Board meetings were held in 2015. The attendance records for each meeting are:

Name	Meetings during 2015						No of attendance
	22 Feb	19 Apr	28 Jun	3 Sep	19 Oct	28-29-30 Nov	
Mr Sulaiman A. Al Muhaidib	⊙	⊙	⊙	⊙	⊙	⊙	6
Eng Abdullah M. N. Rehami	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Ibrahim M. Al Issa	⊙	⊙	⊙	○	⊙	○	4
Mr Abdulaziz K. Al Ghufaily	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Mohammad A. Al Fadl	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Bader A. Al Issa	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Amin M. Shakir	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Abdul Kareem A. Abu Alnasar	⊙	○	⊙	⊙	⊙	⊙	5
Mr Essam A. Al Muhaidib	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Fahad A. Al Kassim	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Omar Hadir N. Al-Farisi**	Appointed as of 4 May 2015		⊙	⊙	⊙	⊙	4 out of 4
Mr Tarik M. Ismail (Board Secretary)	⊙	⊙	⊙	⊙	⊙	⊙	6

Notes: \* The financial results for Q2 2015 were approved by circulation and accredited by the Board later.

\*\* Dr Abdulraouf M. Manna did not attend the Board meeting held on 22 February 2015, and resigned from Board membership on 24 February 2015.

\*\*\* During 2015, the Group Board held a three-day workshop fully dedicated to reviewing and discussing Group strategy, plans, general polices, and monitoring tools for their execution.

## B) Disclosures related to the Board of Directors and Executive Management (continued)

### B-3) Executive management team

The role of Savola Group's CEO and Managing Director and the Executive Management team is to implement the strategies, plans, and policies approved by the Board of Directors and the boards of the Group subsidiaries. He also monitors the performance of Group sectors and ensures their adherence to the Group's plans, policies, regulations, and ethical standards. The Executive Board meets regularly to review and monitor progress. Sub-committees and task forces at subsidiary level also assist (each in its specialty) in management, supervision, and control over implementation. The following table shows the Group Executive Board members and qualifications:

Name	Position	Qualifications
Eng Abdullah M. N. Rehaimi	Group CEO and Managing Director	As stated in the Board members' details.
Mr Bader H. Al Aujan	CEO, Foods Sector	Bachelor of Mechanical Engineering, King Saud University (1992)
Mr Muwaffaq M. Jamal	CEO, Retail Sector	Bachelor of Science in Accounting, King Fahd University of Petroleum & Minerals Dhahran, Saudi Arabia (1988).
Mr Nouman Farrukh	Chief Financial Officer	Bachelor of Commerce from Karachi University, Pakistan; Associate of the Institute of Cost & Management Accountants; and Fellow of the Institute of Taxation Management.
Mr Faysal H. Badran	Chief Investment Officer	Bachelor of Arts Major in Economics from DePauw University of Chicago.
Mrs Rania S. Al-Turki	Chief Human Capital Officer	Bachelor of Science in Computer Science, Indiana State University Terre Haute, USA (2000); Emerging Master of Computer Science, George Washington University Washington, USA (2004); Leadership Program, London Business School, UK (2013).
Mr Tarik M. Ismail	Executive Director, Corporate Affairs & Sustainability, and Board Secretary	Bachelor degree in Business Management, University of Dubai, UAE (2004); Certified Consultant in Communication & Media, Arab British Academy for Higher Education (2007).

### B-4) Board of Directors and senior executive remuneration

The Group pays annual remuneration, meeting attendance fees, and ancillary expenses for its Boards and sub-committee members, based on the rules and regulations stipulated by the Ministry of Commerce & Industry and in accordance with the Group's Articles of Association and Corporate Governance Manual. The Board recommends that these be ratified by the AGM as detailed below. The Group also pays salaries, allowances, and bonus and benefits in kind to its executives based on their contracts.

Compensation and benefits paid to Board members and senior executives during 2015 were:

#### B-4-1) Board members' remuneration

Name of Board Member	Board and committee meetings attendance fees and other allowances (SAR)	Annual remuneration (SAR)	Total (SAR)
Mr Sulaiman A. Al Muhaidib (Chairman)*	69,610	200,000	269,610**
Eng Abdullah M. N. Rehaimi (CEO & MD)	275,000	200,000	475,000
Mr Ibrahim M. Al Issa	145,000	200,000	345,000
Mr Amin M. Shakir	457,220	200,000	657,220
Mr Bader A. Al Issa	69,610	200,000	269,610
Mr Abdul Kareem A. Abu Alnasar	385,000	200,000	585,000
Mr Abdulaziz K. Al Ghufaily	194,610	200,000	394,610
Mr Essam A. Al Muhaidib	193,342	200,000	393,342
Mr Mohammad A. Al Fadl	173,897	200,000	373,897
Mr Fahad A. Al Kassim	329,220	200,000	529,220
Mr Omar Hadir N. Al-Farisi	39,000	131,666	170,666
Resigned member*	0	31,111	31,111
<b>Total</b>	<b>2,331,509</b>	<b>2,162,777</b>	<b>4,494,286</b>

Notes: \* Dr Abdulraouf Mannaa's remuneration amounted to SAR 31,000 for the period from 1 January to 25 February 2015.

\*\* The Board Chairman donated his annual remuneration in lieu of his meeting attendance fees for the fiscal year 2015 to support the Savola employees' Takaful Fund.

**B-4) Board of Directors and senior executive remuneration (continued)****B-4-2) Senior executives' compensation**

Description	Senior executives' (7 in total) compensation including the MD/CEO and the CFO (SAR 000's)
Salaries	11,601
Allowances (including housing, transportation, health insurance, education allowance, etc)	4,371
Exceptional remuneration during 2015	400
Regular and annual remuneration (including performance-related bonus for 2015)	9,504
<b>Total</b>	<b>25,876</b>

**C) Board of Directors' sub-committees and evaluation of the Board's performance**

The Savola Group Board has four sub-committees, with membership comprising Board Members, external independent experts, and Savola senior executives. These committees have special charters, approved by the Group Board, to govern their scope of work and related procedures. The committees are:

**C-1) Audit and Risk Management Committee**

The Group's Audit & Risk Management Committee consists of five non-executive members, most of whom are specialists in finance, accounting, auditing, and risk management. The Committee held five meetings during 2015 to enhance its role and the Board of Directors' role to fulfill its oversight and responsibilities relating to monitoring the Group's external and internal audit activities, to obtain reasonable assurance regarding the effectiveness of internal control procedures, the reliability of financial reports, and the soundness of risk management systems and other activities assigned to the Committee, as included in the Committee charter.

The table below summarizes the Committee's membership, role, responsibilities, and the number of meetings held during 2015:

Committee member	Role	Meetings during 2015					Total
		18 Jan	22 Feb	19 Apr	29 Jun	19 Oct	
Mr Abdul Kareem A. Abu Alnasar (Independent, Savola Board member)	Chairman	⊙	⊙	○	⊙	⊙	4
Mr Abdulaziz K. Al Ghufaily (Non-executive, Savola Board member)	Member	⊙	⊙	⊙	⊙	⊙	5
Mr Fahad Al-Kassim (Independent, Savola Board member)	Member	⊙	⊙	⊙	⊙	⊙	5
Dr Muhammed Ali Hasan Ikhwan (Independent External member)	Member	⊙	⊙	⊙	⊙	⊙	5
Mr Abdul Hameed Al Muhaidib (Non-executive, External member)	Member	⊙	⊙	⊙	⊙	⊙	5
Mr Tarik M. Ismail	Committee secretary	○	⊙	⊙	⊙	⊙	4

**Committee's role and responsibilities**

The Committee's main duties and responsibilities include oversight of the integrity of the Group's financial statements; the appointment, remuneration, qualifications, independence, and performance of the external auditors and the integrity of the audit process as a whole; and approving any activity beyond the scope of the audit work assigned to them during the performance of their duties.

The Committee also oversees the effectiveness of the systems of internal control and adequacy of the risk management system; the performance and leadership of the Internal Audit & Risk Management and Audit function; and investigates grievances and claims raised by stakeholders to the Group, as well as identifying risks and managing them effectively by continuously formulating policies and plans to ensure their implementation in accordance with best practice. For more information on the Committee's roles and responsibilities please refer to the Committee Charter on the Savola website ([www.savola.com](http://www.savola.com)).

## C-1) Audit and Risk Management Committee (continued)

### Committee members' remuneration

Remuneration paid to the Committee members amounted to SAR 627,305 for 2015, including meeting attendance fees, annual remuneration, and travel expenses as per the Group's policy stated in the Corporate Governance manual and approved by the Board of Directors.

### Committee members' qualifications

The qualifications of the Committee members who are also members of the Savola Group Board of Directors were stated above.

### Qualifications of those Committee members who are not also Savola Board members

Dr Mohammad Ali H. Ikhwan has a PhD in Engineering Economic Systems. He previously worked as Chief Financial Officer and managed the Group's Internal Audit function.

Mr Abdulhameed S. Al-Muhaidib holds an MBA from Pepperdine University, California. He also has a Bachelor in Business Administration majoring in finance, from the University of Miami Coral Gables, Florida.

### Recommendation on the reappointment of auditors

As part of the Committee's main roles and responsibilities, it recommended to the Board of Directors the reappointment of PricewaterhouseCoopers (PwC) as the Group's external auditors for the fiscal year 2015, for a fee of SAR 325,000, to review the quarterly accounts and audit the annual accounts of the Savola Group.

With the external auditors, the Committee reviews the Group's annual and quarterly financial statements, clarification notes, and the external auditors' independent report, to ensure that the accounting policies applied by the Group in the preparation of its financial statements are in accordance with the standards issued by the Saudi Organization for Certified Public Accountants. Based on its review, the Committee recommends to the Board of Directors the approval of the Group's financial statements. The Committee also recommends to the Board of Directors the distribution of quarterly dividends and the overall Internal Audit and Risk Management strategy.

### Internal Audit and Risk Management function

The Group established an Internal Audit and Risk Management function at Group level as well as at subsidiaries. The Group's internal auditor reports to the Audit and Risk Committee.

## Effectiveness of internal control procedures and risk management

### Internal control procedures and 2015 annual review of effectiveness

The executive management of the Group and its subsidiaries annually certify acknowledgment of their responsibility for establishing and maintaining internal control procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability and integrity of financial reporting, and compliance with applicable laws and regulations. The internal control certifications for 2015 were handed over and filed with the Group's legal counsel. The Internal Audit and Risk Management function at the Group and its subsidiaries execute the annual audit plan approved by the Committee to evaluate the existing condition of internal control procedures through selecting a random sample with the objective of testing the effectiveness and efficiency of internal control procedures operating during the year.

### Results of the annual review of the effectiveness of internal control procedures

As a result of the Board of Directors' and the Audit & Risk Management Committee's efforts, at Group and subsidiary levels, the annual review of internal control procedures, selected for testing during 2015 by the Committee and the Group's Internal Audit and Risk Management function, confirms that nothing came to the Committee's attention that caused them to believe that there is a need to disclose any significant deficiency in the internal control procedures established by the Group and its subsidiaries.

However, we emphasize that due to the geographical spread of the Group's operations locally and regionally, we cannot conclude exclusively on the comprehensiveness of the internal control procedures review performed because the internal audit activities, in substance, rely on selecting random samples, as mentioned above. Accordingly, the efforts of the Committee and Internal Audit Department focus on developing and improving the effectiveness and efficiency of internal control review mechanisms across the Group.

**C-2) Compensation, Nominations and Corporate Governance Committee (CNCG)**

The committee consists of four non-executive members, all members of the Group Board, with significant experience in committee work. The Committee held six meetings in 2015. During these meetings the Committee carried out its responsibilities in compensation, nominations, and corporate governance.

The table below summarizes the Committee's membership, role, responsibilities, and the number of meetings held during 2015:

Committee member	Role	Meetings during 2015						Total
		29 March	19 April	8 July	13 August	7 Sep	14 Oct	
Mr Mohammad A. Al Fadl (Independent Savola Board member)	Chairman	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Ibrahim M. Al Issa (Non-executive Savola Board member)	Member	⊙	⊙	⊙	⊙	○	⊙	5
Mr Amin M. Shaker (Independent Savola Board member)	Member	⊙	⊙	⊙	⊙	⊙	⊙	6
Mr Essam A. Al Muhaidib (Non-executive Savola Board member)	Member	○	⊙	○	⊙	○	⊙	3
Mr Tarik M. Ismail	Committee secretary	⊙	⊙	○	⊙	⊙	⊙	5

**Committee's role and responsibilities**

To formulate policies regarding the indemnities, remunerations, and succession plan of the Board members and top executives to ensure that such policies meet the Group's performance standards, and follow up the implementation of these policies. In addition, it recommends to the Board of Directors the membership appointments for the Board, Subsidiaries Board, and Committees in accordance with the Group required standards and to review the skills required for Board membership, prepare a description of the capabilities and qualifications required for such membership, and ensure Board independence on an annual basis. It also supervises and monitors corporate governance and compliance matters, thus ensuring that sound CG system is in place. Also, the Committee is responsible for investigating and settling employee grievances. For more information on Committee roles and responsibilities, please refer to the Committee Charter on Savola's website ([www.savola.com](http://www.savola.com)).

**Committee members' remuneration**

The remuneration paid to the current members of the Committee amounted to SAR 513,276 for the year 2015, including meeting attendance fees, annual remuneration and travel expenses as per the Group's policy included in the CG manual approved by the Board of Directors.

There is a Corporate Governance & Compliance Department at Group level. The CG and Compliance Officer reports to the Committee and submits periodic reports.

**Board assessment**

The Group contracted with an independent specialist consultant to study and evaluate the effectiveness of the Board's performance and operations for the years 2014 and 2015. The final results were presented to the Board in its meeting on 19 January 2016. Board members participated in the evaluation by expressing their opinions in several areas including the structure, role, and operations of the Board and its sub-committees, interaction between Board members as a team, strategies and plans of the Group and its applicability, corporate governance, challenges and risks and the means of its management, succession plans, and other aspects. In that regard, all recommendations that the study concluded under the evaluation of the CNCG will be reviewed and acted upon.

**C-3) Investment Committee**

The Investment Committee consists of four members, all from the Group Board, most of whom are non-executives. The Committee held four meetings during 2015 to implement strategic plans in relation to investment opportunities.

The table below summarizes the Committee's membership, role, responsibilities, and the number of meetings held during 2015:

Committee member	Role	Meetings during 2015				Total
		11 Feb	4 June	2 Sep	17 Dec	
Mr Amin M. Shaker	Chairman	⊙	⊙	⊙	⊙	4
Eng Abdullah M. N. Rehaimi	Member	⊙	⊙	⊙	⊙	4
Mr Abdul Kareem A. Abu Alnasar	Member	⊙	⊙	⊙	⊙	4
Mr Fahad Al-Kassim	Member	⊙	⊙	⊙	⊙	4
Mr Tarik Mohammed Ismail	Secretary	⊙	⊙	⊙	⊙	4



### C-3) Investment Committee (continued)

#### Committee's role and responsibilities

Define, study, and evaluate investment opportunities within the Group and core sectors in Saudi Arabia and overseas; recommend findings to the Group's Board of Directors; and continue its implementation in light of the authority given to it by the Board.

#### Committee members' remuneration

The remuneration paid to the current Committee members amounted to SAR 497,045 for 2015, including meeting attendance fees, annual remuneration and travel expenses, in accordance with the Group's policy as stated in the CG manual and approved by the Board of Directors.

### C-4) Corporate Social Responsibility Committee

The CSR Committee consists of five members, each with relevant experience and mostly non-executive. In fulfilling its roles and responsibilities, the Committee held three meetings in 2015 to review the Group's CSR programs and plans as detailed in the CSR section of this report. Members, attendance records, and the role of the Committee are summarized below:

Name	Role	Meetings during 2015			Total
		11 Feb	2 Sep	17 Dec	
Eng Abdullah M. N. Rehaimi	Chairman	⊙	⊙	⊙	3
Mr Amin M. Shaker	Member	⊙	⊙	⊙	3
Mr Abdul Kareem A. Abu Alnasar	Member	○	⊙	⊙	2
Dr Mervat Ahmed Tashkandi (External member)	Member	⊙	⊙	○	2
Mr Mahmoud M. Abdul Ghaffar	Member	⊙	⊙	⊙	3
Mr Tarik Mohammed Ismail	Secretary	⊙	⊙	⊙	3

#### Committee's role and responsibilities

Activate the Group's role in CSR through adoption of CSR initiatives and programs; set criteria and develop plans to develop and serve the community through developing foundations, standards, and plans for CSR programs; and continue its implementation.

#### Committee members' remuneration

The remuneration paid to the current members of the Committee amounted to SAR 467,435 for 2015, including meeting attendance fees, annual remuneration and travel expenses, in accordance with the Group's policy as stated in the CG manual and approved by the Board of Directors.

### D) Board members' interests and changes during 2015

Name (All Saudi nationals)	Shares at the beginning of 2015	Shares at the end of 2015	Changes during the year	Cash dividends paid for (Q1, Q2, Q3) 2015 (SAR)	Relatives' (wife and minor children) ownership changes during the year
Mr Sulaiman A. K. Al-Muhaidib	1,000	1,000	0	1,500	None
Eng Abdullah M. N. Rehaimi	1,500	1,762	262	2,643	None
Mr Ibrahim M. Al Issa	3,000	3,000	0	4,500	None
Mr Amin M. Shaker	15,642,871	15,446,460	(196,411)	23,280,769	None
Mr Badr Al Issa	1,025	1,025	0	1,537.5	None
Mr Abdul Kareem A. Abu Alnasar	18,000	18,000	0	27,000	None
Mr Abdulaziz K. Al Ghufaily	1,000	1,000	0	1,500	None
Mr Essam A. Al-Muhaidib	2,500	2,500	0	3,750	None
Mr Mohammad A. Al Fadl	6,304	6,304	0	9,456	144 shares (wife)
Mr Fahad A. Al Kassim	2,000	2,000	0	3,000	None
Mr Omar Hadir Al-Farisi	0	1,000	1,000	1,000	None

Notes: \* Cash dividends for Board members and ex-Board members include the first three quarters' dividends, which have already been paid by the company but does not include the recommended fourth quarter dividends, which will be paid after AGM approval and dividend ownership is presented at the distribution due date.

\*\* All members are Saudi nationals except Mr Omar Hadir Al-Farisi.

**E) Senior executives' interests and changes during 2015**

Name	Shares at the beginning of 2015	Shares at the end of 2015	Changes during the year	Cash dividends paid for (Q1, Q2, Q3) 2015 (SAR)	Shares of immediate relatives
Eng Abdullah M. N. Rehami (Group CEO and Managing Director)	As mentioned in the previous table related to Board members' interests. Appointed Group CEO and Managing Director as of January 1, 2016.				
Mr Bader H. Al Aujan (CEO Foods Sector)	0	11,000	11,000	0	None
Mr Muwaffaq M. Jamal (CEO Retail Sector)	1,000	1,000	0	1,500	None
Mr Faysal H. Badran (Chief Investment Officer)	0	0	0	0	None
Mr Nouman Farrukh (Chief Financial Officer)	0	0	0	0	None
Mrs Rania S. Al-Turki (Chief Human Capital Officer)	0	0	0	0	None
Mr Tarik M. Ismail (Executive Director, Corporate Affairs & Sustainability, and Board Secretary)	10	10	0	15	None

**Note:**\* Cash dividends for Executives mentioned above include the first three quarters' dividends, which have already been paid by the company, but does not include the recommended fourth quarter dividends which will be paid after AGM approval and dividend ownership is presented at the distribution due date.

**F) Related party transactions**

During 2015, the Group carried out transactions with related parties in the ordinary course of business. The Group follows the same conditions and principles, with no preference in dealing in such type of transactions with third parties. Related parties in these transactions include parties linked to the Group, Board members, senior executives, major shareholders and any first-degree relatives and others, according to CMA regulations and relevant MOCI laws and the CG guide.

These regulations state that declarations are necessary in such situations and the approval of the AGM regarding a Board member's relations (direct or indirect) to them. In this regard, and in terms of these regulations, which require the disclosure of such transactions, and recommended for renewal and approval by the Board (on a case-by-case basis), the details are:

Related party	Relationship	Type of transaction
<b>Almarai</b> , a listed company in which Savola Group owns 36.52%. Three Savola Directors are members of Almarai's Board. They are Mr Sulaiman Al-Muhaidib, Eng Abdullah M. N. Rehami, and Mr Ibrahim Al Issa.	Board representation and major shareholder owning over 5%	The Group, represented by its subsidiaries, executed transactions and supply contracts with Almarai during 2015 for retail plastic and foods products in the ordinary course of business, with a total value of SAR 714.09 million. The Board recommends ratifying these transactions and authorizes the renewal of these dealings for the coming year. <ul style="list-style-type: none"> <li>• Panda Retail Company (a Savola subsidiary) purchased foods goods from Almarai with a total value of SAR 604.97 million.</li> <li>• United Sugar Company (a Savola Foods subsidiary) sold sugar products to Almarai with a total value of SAR 108.71 million.</li> <li>• Afia International Company (a Savola Foods subsidiary) conducted commercial transactions for sales of edible oil products with a total value of SAR 40.55 thousand.</li> </ul>
<b>Abdulkader Al-Muhaidib &amp; Sons Co</b> , which owns 8.01% of Savola Group and Al Muhaidib Holding Company, which owns 6.3% of Savola Group both chaired by Mr. Sulaiman A. Al-Muhaidib, who is also the Chairman of the Group's Board. In addition Mr Essam A. Al-Muhaidib is the Company CEO and is also a member of the Savola Group Board.	Board representation and major shareholder owning over 5%	During the fiscal year 2015, the Group through its subsidiaries (in the Retail and Food sectors) executed transactions and entered into commercial contracts with Abdulgadir Al-Muhaidib & Sons Co. The total value of these transactions amounted to SAR 214.76 million, details of which are as follows: <ul style="list-style-type: none"> <li>• Panda Retail Company (a Savola subsidiary) purchased foods products from Mayar Foods Company and Almehbaj Alshamiyah Trading Company, which have a relationship with Al-Muhaidib Company, with a total value of SAR 206.93 million during 2015.</li> <li>• United Sugar Company (a Savola subsidiary), under specific supply contracts, sold sugar commodity to Al-Muhaidib Foods Company during 2015 with a total value of SAR 7.83 million.</li> </ul>

## F) Related party transactions (continued)

Related party	Relationship	Type of transaction
Herfy Food Services Co, a listed company, in which Savola Group owns 49% (direct and indirect); Savola has four representatives on Herfy's Board: Mr. Essam A. Al-Muhaidib, who is the chairman of Herfy Board, and Mr Abdulaziz K. Al Ghufaily. Both are also on the Savola Group Board. Mr Faysal H. Badran and Mr Muwaffaq M. Jamal are both Group senior executives.	Board representation and major shareholder owning over 5%	The Group through its subsidiaries (in the Retail, Food, and Plastics sectors) executed transactions and commercial contracts with Herfy Food Services Company with a total value of SAR 40.90 million during 2015. The Board recommends ratifying the transactions listed below and authorizes their renewal for the coming year. Details of the transactions and contracts are: <ul style="list-style-type: none"> <li>• A contract with a total value of SAR 38.98 million (which represents rental of shops and retail sales of food products) between Herfy Foods Services Co and Panda Retail Company (a Savola subsidiary).</li> <li>• A contract with a total value of SAR 1.49 million, which represents edible oils products, sold by Afia International Company (a Savola Foods subsidiary) to Herfy Food Services Company.</li> <li>• A contract with a total value of SAR 433,350, which represents Plastic products sold by Al-Sharq Plastics Company (a Savola subsidiary under the Plastics sector which was sold in Q1 2015) to Herfy Food Services Company.</li> </ul>
Kinan International Co, of which Savola Group owns 29.99%; Savola has three members on Kinan's Board of Directors who are also on the Savola Group Board: Mr Mohammad A. Al Fadl, Chairman of Kinan; and Mr Amin M. Shaker and Mr Abdul Kareem A. Abu Alnasar.	Board representation and major shareholder owning over 5%	During the fiscal year 2015, Savola Group and some of its subsidiaries (in the Retail sector) executed commercial leasing contracts of stores with a total value of SAR 42.26 million. These transactions were made in the ordinary course of business and the Board recommends ratifying these transactions and renewing them for the coming year.

## G) Related party matters

In addition to previous related party transactions, the following transactions mainly represent sale and purchase of products and leases of stores in the normal course of business with associates and other entities related to subsidiaries. The terms of such transactions are mutually agreed between the parties, with the same conditions and with no preference over third parties:

Company Name	Relationship	Transactions in 2015
Panda Retail Company	A subsidiary of Savola (91% owned)	During 2015 Panda Retail Company (a Savola Group subsidiary) executed transactions and entered into commercial contracts with some of the Savola Group subsidiaries with a total value of SAR 365.8 million in the ordinary course of business as follows: <ul style="list-style-type: none"> <li>Purchase of sugar products from the United Sugar Company (a Savola Foods subsidiary), with a total value of SAR 80.9 million.</li> <li>Purchase of edible oils products from Afia International Company (a Savola Foods subsidiary) with a total value of SAR 136.5 million.</li> <li>Lease of stores and centers from Al Matoun International Holding Company for Real Estate Investment Holding Co (a Savola subsidiary) with a total value of SAR 148.4 million.</li> </ul>
United Sugar Company	A subsidiary of SFC (Owned by Savola)	Afia International Company (a Savola Foods subsidiary) made commercial transactions that dealt with marketing and distributing sugar and sweetening products with a total value of SAR 226.28 million.

### G-1) Board declaration, in accordance with CMA Corporate Governance Code

In accordance with the requirements of Article 43 of the Registration and Listing Rules and to ensure the Group's Board commitment to highlight the applicable and non-applicable requirements under this Article in its Board of Directors' Annual Report, in addition to the other requirements of Number 23 under the same Article, the Board confirms that:

**G-1) Board declaration, in accordance with CMA Corporate Governance Code (continued)****G-1-1) Declarations related to Article (43) of the Listing Rules**

Item as per Article (43) of the Listing Rules	Declaration/confirmation
A description of any interest in a class of voting shares held by persons (other than the Group's directors, senior executives and their relatives) that have notified the Group of their holdings pursuant to Article 45 of these Rules, together with any change to such interests during the last financial year.	Not Applicable (NA)
A description of any interest, contractually based securities, and subscription rights of the Group's directors, senior executives and their relatives in the shares or debt instruments of the Group or any of its subsidiaries, together with any change to such interest or rights during the last financial year.	NA
Note: The Group declared board members, senior executives and their relatives' interests in part (10), items (D) and (E).	
A description of the classes and numbers of any convertible debt instruments, any contractually based securities, warrants, or similar rights issued or granted by the Group during the financial year, together with the consideration received by the Group in return.	NA
A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants, or similar rights issued or granted by the Group.	NA
A description of any redemption or purchase or cancellation by the Group of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the Group and those purchased by its subsidiaries.	NA
A description of waiving any salary or compensation by an arrangement or agreement with:	
A) A director: The Group Board Chairman donated his annual remuneration in lieu of his membership in the Group Board and meetings attendance fees for the fiscal year 2015 to support the Savola Group employees' Takaful Fund amounting to SAR 269.6 thousand.	Exist/ applicable
B) A senior executive of the Group.	NA
A description of any arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends.	NA
The particulars of the issued shares and debt instruments of every subsidiary.	NA
The Board confirms the following:	
A) The company's accounting records were properly prepared.	
B) Savola Group's internal control systems and procedures are properly developed and effectively executed.	
C) There are no doubts about the Group's ability to continue its business activities.	
<b>Note:</b> The company emphasizes that during January 2013 it issued the first tranche of sukuk with a total value of SAR 1.5 billion out of the total sukuk amount that is equal to the company's capital, which will be launched in stages. The shareholders' General Assembly approved the sukuk issue for an amount not exceeding the company's share capital at its meeting on 5 December, 2012.	

**G-1-2) Board declaration according to Corporate Governance regulations for 2015 in accordance with form (8) related to compliance with CG Code:****Declaration/confirmation**

The Board of Directors confirms that the external auditors' report for the year 2015 does not contain any reservations on the relevant annual financial statements. The Board is committed to providing the CMA with any additional information as may be required in the event of auditors expressing any reservations on the annual financial statements.

The Board of Directors confirms that the Group's books and records comply with the accounting standards issued by SOCPA.

The Board of Directors did not recommend changing the external auditors before the expiry of the term of appointment. PwC has been appointed as the Group's external auditors for the fiscal year 2015 and has completed its services up to the end of the year.

The external auditors did not provide consultancy services to the Group during 2015 and did not receive any fees in this regard.

The Group Board did not receive any request from the external auditor to convene a General Assembly.

The Group has not granted any cash loans whatsoever to any of its Board members or rendered guarantees with respect to any loan entered into by a Board member with third parties.

There were no penalties or precautionary attachments imposed on the Company by the Capital Market Authority, or by any other supervisory, regulatory or judicial body.

## G-1-2) Board declaration according to Corporate Governance regulations for 2015 in accordance with form (8) related to compliance with CG Code: (continued)

### Declaration/confirmation

The company has avoided taking any action that might hamper the use of the shareholders' voting rights.

The Group Board did not receive any request to convene a General Assembly or a request to add one or more items to the agenda upon its preparation from a number of shareholders whose shareholdings represent at least 5% of the equity share capital.

The company's Articles of Association do not specify the use of cumulative voting when electing the Board members by General Assembly, as this has been voted against by the General Assembly. Although the Board has twice recommended to the EGM to use this method of voting, it was rejected by the EGM in both meetings. As the current Board term will expire on 30 June 2016, the Group did not conduct any Board elections during 2015.

The Savola Group does not grant employees any stock options and is committed to declaring this whenever applicable.

The Chairman of the Board did not receive a written request to call for an unforeseen meeting from any two or more of the Board members during 2015.

The Board of Directors did not waive any of the company's debts during the year.

## H) Compliance with Corporate Governance regulations issued by the CMA based on 'comply and explain' approach

The Board confirms that during 2015 the Group complied with Corporate Governance regulations issued by CMA, except for the following guiding or (non-mandatory) items where the reasons for non-appliance were clarified:

### Article/Clause No in accordance with CG regulations

Article/Clause No in accordance with CG regulations	The question in accordance with form (8)	Reasons for non or partial compliance
Article 6, Clause (b) (cumulative voting)	Did the company AOA specify cumulative voting as the voting method in the General Assembly for the nomination of Board Members? If so, was the cumulative voting method applied in the nomination of the current Board members?	<b>Explanation:</b> The Company's Articles of Association do not specify the use of cumulative voting when electing the Board members by General Assembly, as this has been voted against by the General Assembly. Although the Board has twice recommended to the EGM to use this method of voting, it was rejected by the EGM in both the meetings. <b>Justification:</b> As the current Board term will expire on 30 June 2016, the Group did not conduct any Board elections during 2015.
Article 6, Clause (d) of CG Regulations	(d) Investors who are judicial persons and who act on behalf of others – eg, investment funds – shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	<b>Explanation:</b> Clause (d) of Article 6 of the CG regulations was not implemented because it does not apply to the company. <b>Justification:</b> This clause relates to legal entities such as investment funds, limited liability companies, closed joint stock companies, or any other non-listed associations that may not publish an annual report. Should they publish their annual report, it may not comply with the expected standards. As none of the considered legal entities mentioned in the section supplied the company during 2015, it is difficult for Savola Group to view their voting policies, actual voting, and any essential conflict of interest that may affect the special foundation rights practice. In relation to the Group's policy (as a legal entity), regarding voting on conflict of interest matters and related parties transactions, the Group declares all these matters in its Board of Directors' annual report, as well as observing the rules of the Capital Market Authority and the Ministry of Trade and Industry which require a vote on the matter in the general assembly, especially if it had any relation to any of the Board members. Also, it must be recorded in the assembly's records, ensuring that any related party may not vote (in the Board or general assembly). If it didn't have any relation to any of the Board members and is related to other parties, this will be declared in the Board's annual report. Its representatives cannot vote on any of the terms that have a beneficial relationship to any other legal personality, according to the laws.
Article 12, Clause (i) of CG Regulations	(i) Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote for other members of the Board of Directors.	<b>Explanation:</b> Clause (b) of article 2 of the CG regulations was not implemented because it does not apply to the company. <b>Justification:</b> The Group confirms that no legal entity is entitled under the company's Articles of Association to appoint representatives to the Board of Directors. Nor did the Group hold any votes with regard to Board membership during 2015, as the current term began on 1 July 2013 and ends on 30 June 2016.

### I) Procedure to monitor the effectiveness of Savola's governance code

The Group has a Corporate Governance (CG) Manual developed and approved for the first time in 2004, and continues developing it in line with the CG regulations issued by the CMA and international best practice in CG and transparency, and has submitted the latest version to the CMA.

The Board of Directors formed a Compensation, Nomination, and Governance Committee. Part of its role is to supervise and monitor the implementation of the CG code and transparency practices. A dedicated CG and Compliance Officer has a support team at Group level to monitor CG code implementation and compliance, ensure proper implementation of the Committee's resolution regarding CG, and submit regular reports to the Committee. In addition, the Group Board and MD supervise the overall implementation and development of the governance code in general.

The Group also annually engages a specialist independent consultant to ensure compliance with CG regulations issued by the CMA and best practices in CG, sharing the results with the Committee. During 2015, the Group contracted with Ernst & Young, which gives reports and feedback to the Committee in this regard.

### J) Corporate Social Responsibility programs

As part of its commitment to serve the community, the Group Board resolved to allocate 1% of annual net operating profits from core sectors to support CSR programs. This is in addition to other programs by subsidiaries inside Saudi Arabia and abroad.

In line with Savola's strategy to support national programs encouraging continuous development of the community, the Group concentrated its efforts during 2015 through participation in establishing several CSR programs and building partnerships with national associations.

The Group continued its support to a number of programs, one of which is the training and hiring of disabled people, through the Makeen initiative, where it employed 200 disabled persons during the year. Within Makeen's initiatives, the Group continues publishing the concept of 'The Guide and The Colleague', which aims to provide a work environment that helps the disabled person to feel included and comfortable. This takes place alongside the Group's efforts to complete Savola's easy-access project, which aims to facilitate a workplace that is disabled-friendly.

Injaz is a non-profit organization dedicated to educating students and preparing them for the workplace, developing students' personal and practical skills through training workshops led by private sector volunteers. Savola is one of the founding members of Injaz Saudi Arabia and one of its biggest supporters. In addition, the Group supports programs by the Qaderoon business and disability network, and continued its efforts to facilitate an accessible work environment for disabled people through Savola's Ultimate Accessibility Program.

Panda consolidated its CSR efforts during 2015, aiming to provide to all segments of the society. Its extensive CSR programs include:

#### Friend of the Environment

This environmental initiative focused on conserving water. Panda signed a strategic partnership with National Water Company to install water-conserving materials in Panda stores (HyperPanda, Panda, and Pandati) in Riyadh and Jeddah, as well as launching a large campaign to raise customer awareness of the need for water conservation. Further environmental efforts by Panda in 2015 included consulting some developed countries to take advantage of their international experience in preserving the environment, and to transfer this knowledge to Saudi Arabia.

This will enhance environmental awareness and will help reduce pollution, conserve natural resources, and protect human health. Within the same program, Panda has implemented IT software that monitors printing procedures in the head office, aiming to control the volume of printed paper and use less paper in the work environment.

#### Be Healthy

Launched in 2013, Be Healthy aims to raise community awareness of better eating habits and a healthy lifestyle. In 2015 Panda ran a series of campaigns targeting all society segments and family members, presenting 300 healthy tips on social media through a character called Sahsooh. The program also provided 40 healthy recipes with short explanatory videos on the Sahsooh website and social networks.

An in-store program called 'Make Your Food Healthy' included live shows on how to cook healthy food, taking place in Jeddah, Riyadh, and Dammam over three weeks. Many Panda customers participated in the activities, which included giveaways of books on healthy cooking and preparing traditional meals. Further health awareness initiatives are planned for 2016.

## **J) Corporate Social Responsibility programs (continued)**

### **Leave the Change**

This program encourages Panda's customers to donate the small change from their purchases at Panda outlets. It began in 2006 and in 2015 reached more than SAR 55 million in total donations. Donations in 2015 amounted to SAR 10.7 million. Funds are distributed to the Disabled Children's Association and the Trahom Association, which cares for prisoners and their families.

The continuation of the Leave the Change program reflects the increased support for its humanitarian and social aims.

## **K) Reserves and employee programs**

One of Savola's core corporate values is called *Birr* in Arabic – translated as Caring Justice – representing genuine care and concern for people and their welfare. In support of this value, Savola has developed a number of programs for its employees that are designed to retain, motivate, and improve their performance. These include:

### **A) Employee home loan scheme**

Introduced in 1992, this program provides Saudi employees with interest-free loans of up to 50 times basic salary, up to a maximum of SAR 2.5 million and subject to meeting certain conditions. These loans are intended to help employees buy their own homes in the Kingdom and must be settled within 120 months. The program operates under the supervision of the Home Loan Committee according to the policy approved by the Board. Executive regulations govern the work of the committee and its decisions.

### **B) Takaful Cooperative Employee program**

In cooperation with a local bank, the Group arranges Takaful insurance to support employees' families in the event of death, or partial or permanent disability. Employees (or their families) receive the equivalent of 24 basic salaries in such incidents.

### **C) Employee Takaful fund**

This fund assists junior staff (below manager level) to deal with financial emergencies. It is financed through employees' voluntary monthly contributions that are matched by Savola. The Chairman of the Board, Sheikh Sulaiman Al-Muhaidib, donates his entire Board remuneration to the fund. During 2015, the fund settled all employee requests that met the required criteria, with 50 employees benefiting to a total value of SAR 159,500.

**Declaration:** The Savola Group does not grant employees any stock options and is committed to declaring this whenever applicable.

## **L) Human resources**

The Group continues its care regarding the human element, which it considers the most important resource, through recruiting specialized leadership that is capable of creating a healthy and appealing environment, appropriate management structures, and policies suited for development, training, and management successor systems to lead towards a bright future.

Within this context, the Group works continuously to recruit and develop young Saudi talent. In the company's plan for 2015-16 is the recruitment and development of Saudi youth in different teams. Most leadership and executive positions in the Group are already occupied by capable and qualified Saudi nationals. The Savola Group and its subsidiaries in the Kingdom also comply with the Nitaqat initiative introduced by the Ministry of Labor in 2011. Details of manpower are as follows:

**Employees** – total employees Group-wide numbered about 31,000 at the end of 2015.

**Headquarters** – management numbered 69, of whom 36 were Saudi nationals, equating to 57% Saudization.

**Retail Sector (Panda Retail Company)** – Panda achieved growth in its Saudi workforce in 2015, rising from an average of 6,600 employees in 2014 to more than 7,200. This represents about 30% of Panda's total workforce of around 24,000.

**Foods Sector (Savola Foods Company)** – employees within Saudi Arabia totaled 1,166, of whom 519 were Saudi nationals, representing 45%. Overseas Foods Sector employees reached 5,655, bringing the total in Foods Sector to around 6,821 people.

**Board of Directors**

22 February 2016

# Consolidated Financial Statements

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**To the Shareholders of Savola Group Company:**  
(A Saudi Joint Stock Company)

### Scope of audit

We have audited the accompanying consolidated balance sheet of Savola Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and the consolidated statements of income, cash flows and changes in equity for the year then ended, and the notes from 1 to 35 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Unqualified opinion

In our opinion, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers



Ali A. Alotaibi  
License Number 379

February 24, 2016

## CONSOLIDATED BALANCE SHEET

As at December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

	Note	2015	2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,067,068	1,634,512
Accounts receivable	7	914,509	1,002,035
Inventories	8	4,840,306	4,413,108
Prepayments and other receivables	9	1,539,328	1,852,225
Assets classified as held for sale	4	45,035	1,335,837
		<b>9,406,246</b>	<b>10,237,717</b>
<b>Non-current assets</b>			
Long term receivables	10	177,207	322,096
Investments	11	8,430,233	7,920,716
Property, plant and equipment	12	7,906,703	6,755,516
Intangible assets	13	1,113,720	1,165,581
		<b>17,627,863</b>	<b>16,163,909</b>
<b>Total assets</b>		<b>27,034,109</b>	<b>26,401,626</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings	14	4,432,822	3,964,079
Current maturity of long-term borrowings	15	528,785	646,204
Accounts payable	16	3,126,384	2,720,891
Accrued and other liabilities	17	2,009,772	2,072,656
Liabilities associated with assets as held for sale	4	94,233	757,660
		<b>10,191,996</b>	<b>10,161,490</b>
<b>Non-current liabilities</b>			
Long-term borrowings	15	4,579,096	4,602,713
Deferred tax liability	17	102,932	80,205
Deferred gain	18	175,314	192,410
Long-term payables	19	66,485	64,588
Employee termination benefits	20	412,220	372,168
		<b>5,336,047</b>	<b>5,312,084</b>
<b>Total liabilities</b>		<b>15,528,043</b>	<b>15,473,574</b>
<b>EQUITY</b>			
Equity attributable to shareholders of the parent company:			
Share capital	22	5,339,807	5,339,807
Share premium		342,974	342,974
Statutory reserve	23	1,774,085	1,594,910
General reserve		4,000	4,000
Retained earnings		4,275,841	3,733,430
Fair value reserve	24	3,784	(17,465)
Effect of transactions with non-controlling interest without change in control		(171,375)	(229,962)
Currency translation differences		(1,019,087)	(801,528)
<b>Total shareholders' equity</b>		<b>10,550,029</b>	<b>9,966,166</b>
Non-controlling interest		956,037	961,886
<b>Total equity</b>		<b>11,506,066</b>	<b>10,928,052</b>
<b>Total liabilities and equity</b>		<b>27,034,109</b>	<b>26,401,626</b>
<b>Contingencies and commitments</b>	35		

The notes on pages 69 to 95 form an integral part of these consolidated financial statements.

## CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

	Note	2015	2014
Revenues	21	26,425,416	26,587,842
Cost of sales	21	(21,332,207)	(21,724,122)
Gross profit		5,093,209	4,863,720
Share in net income of associates and dividend income of available-for-sale investments – net	11	796,114	977,588
<b>Total operating income</b>		<b>5,889,323</b>	<b>5,841,308</b>
<b>Operating (expenses)/income</b>			
Selling and marketing	21, 26	(3,458,547)	(2,723,492)
General and administrative	21, 27	(605,153)	(663,128)
<b>Total operating expenses</b>		<b>(4,063,700)</b>	<b>(3,386,620)</b>
<b>Income from operations</b>		<b>1,825,623</b>	<b>2,454,688</b>
<b>Other income (expenses)</b>			
Insurance claim	25	126,500	–
Gain on disposal of investments	28	265,152	209,700
Gain on disposal of land		38,820	–
Impairment loss	29	–	(67,400)
Financial charges – net	30	(207,289)	(236,553)
Income before zakat and foreign income tax		2,048,806	2,360,435
Zakat and foreign income tax	17	(137,702)	(180,426)
Income from continuing operations		1,911,104	2,180,009
Income from discontinued operations	4.2	–	50,285
Net income for the year		1,911,104	2,230,294
Net income attributable to:			
Shareholders of the parent company		1,791,747	2,072,319
Non-controlling interest's share of year's net income in subsidiaries		119,357	157,975
Net income for the year		1,911,104	2,230,294
<b>Earnings per share (in Saudi Riyals):</b>	33		
Income from operations		3.42	4.60
Net income for the year attributable to the shareholders of the parent company		3.36	3.88
Number of shares outstanding (in thousand)		533,981	533,981

The notes on pages 69 to 95 form an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

	Note	2015	2014
<b>Cash flow from operating activities</b>			
Net income for the year		1,911,104	2,230,294
<b>Adjustments for non-cash items</b>			
Depreciation, amortization, impairment and amortization of deferred gain		623,775	627,547
Share in net income of associates and dividend income		(794,946)	(930,153)
Financial charges – net		207,289	236,553
Gain from disposal of investments		(265,152)	(209,700)
Other operating income		(126,500)	–
Gain on sale of property, plant and equipment		(38,820)	(7,193)
<b>Changes in working capital</b>			
Accounts receivable		63,280	(197,823)
Inventories		(610,429)	(302,996)
Prepayments and other receivables		623,654	74,658
Accounts payable		384,369	193,685
Accrued and other liabilities		97,019	346,038
Employee termination benefits		44,634	60,611
<b>Net cash generated from operating activities</b>		<b>2,119,277</b>	<b>2,121,521</b>
<b>Cash flow from investing activities</b>			
Dividends received		290,476	354,939
Proceeds from sale of investments		984,911	322,509
Change in long term receivables		144,889	4,324
Proceeds from disposal of property, plant and equipment		134,756	147,691
Addition to intangible assets		(5,162)	(27,614)
Purchase of property, plant and equipment		(2,076,605)	(1,818,881)
<b>Net cash utilized in investing activities</b>		<b>(526,735)</b>	<b>(1,017,032)</b>
<b>Cash flow from financing activities</b>			
Net change in short-term borrowings		585,987	842,770
Additions to long-term borrowings – net		(89,799)	437,588
Net change in restricted deposits financing		(28,616)	(20,443)
Changes in non-controlling interest		(209,747)	(524,889)
Financial charges – net		(207,289)	(236,553)
Dividends paid		(1,051,109)	(1,192,049)
<b>Net cash utilized in financing activities</b>		<b>(1,000,573)</b>	<b>(693,576)</b>
<b>Net change in cash and cash equivalents</b>		<b>591,969</b>	<b>410,913</b>
Effect of currency translation on cash and cash equivalents		(159,413)	(41,732)
Cash and cash equivalents at beginning of year		1,634,512	1,363,724
Cash and cash equivalents at end of year		2,067,068	1,732,905
Less: cash and cash equivalents classified as held for sale		–	(45,600)
Less: cash related to subsidiary disposed		–	(52,793)
<b>Cash and cash equivalents at end of year from continuing operations</b>		<b>2,067,068</b>	<b>1,634,512</b>
<b>Supplemental schedule of non-cash information</b>			
Directors' remuneration	21.3	2,200	2,200
Fair value reserves	24	21,249	(149,457)
Currency translation differences		217,559	(146,149)
Effect of transaction with non controlling interest without change in control	1	58,587	(257,867)

The notes on pages 69 to 95 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

	Note	Share capital	Share premium	Statutory reserve	General Reserve	Retained earnings	Fair value reserves	Effect of acquisition transaction with non-controlling interest without change in control	Currency translation differences	Total shareholders' equity	Non-controlling interest	Total equity
<b>January 1, 2015</b>		5,339,807	342,974	1,594,910	4,000	3,733,430	(17,465)	(229,962)	(801,528)	9,966,166	961,886	10,928,052
Net income for the year		-	-	-	-	1,791,747	-	-	-	1,791,747	119,357	1,911,104
Transfer to statutory reserve	23	-	-	179,175	-	(179,175)	-	-	-	-	-	-
Dividends	34	-	-	-	-	(1,067,961)	-	-	-	(1,067,961)	-	(1,067,961)
Fair value reserve adjustment	24	-	-	-	-	-	21,249	-	-	21,249	-	21,249
Currency translation differences		-	-	-	-	-	-	-	(217,559)	(217,559)	-	(217,559)
Directors remuneration	21	-	-	-	-	(2,200)	-	-	-	(2,200)	-	(2,200)
Transaction with non-controlling interest without change in control	1	-	-	-	-	-	-	58,587	-	58,587	-	58,587
Other changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(125,206)	(125,206)
<b>December 31, 2015</b>		5,339,807	342,974	1,774,085	4,000	4,275,841	3,784	(171,375)	(1,019,087)	10,550,029	956,037	11,506,066
<b>January 1, 2014</b>		5,339,807	342,974	1,387,678	4,000	3,072,000	131,992	27,905	(655,379)	9,650,977	1,240,568	10,891,545
Net income for the year		-	-	-	-	2,072,319	-	-	-	2,072,319	157,975	2,230,294
Transfer to statutory Reserve	23	-	-	207,232	-	(207,232)	-	-	-	-	-	-
Dividends	34	-	-	-	-	(1,201,457)	-	-	-	(1,201,457)	-	(1,201,457)
Fair value reserve adjustment	24	-	-	-	-	-	(149,457)	-	-	(149,457)	-	(149,457)
Currency translation differences		-	-	-	-	-	-	-	(146,149)	(146,149)	-	(146,149)
Directors' remuneration	21	-	-	-	-	(2,200)	-	-	-	(2,200)	-	(2,200)
Transaction with non-controlling interest without change in control		-	-	-	-	-	-	(257,867)	-	(257,867)	-	(257,867)
Other changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(436,657)	(436,657)
<b>December 31, 2014</b>		5,339,807	342,974	1,594,910	4,000	3,733,430	(17,465)	(229,962)	(801,528)	9,966,166	961,886	10,928,052

The notes on pages 69 to 95 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

### 1 General information

Savola Group Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The objectives of the Company along with its subsidiaries includes the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

The Company is a Saudi Joint Stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to September 16, 1979). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978). The registered address of the Company is Savola Tower, The Headquarter Business Park, Prince Faisal Bin Fahad Street, Jeddah 23511-7333, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the accounts of the Company and its local and foreign subsidiaries.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 24, 2016.

At December 31, the Company has investments in the following subsidiaries (collectively referred to as the "Group"):

#### (a) Direct subsidiaries of the Company

##### (i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31	
			2015	2014
Savola Foods Company ("SFC")	Saudi Arabia	Foods	100	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	91	92
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	Manufacturing of Plastic packaging products	-	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	80	80
United Sugar Company, Egypt ("USCE")*	Egypt	Manufacturing of Sugar	19.32	19.32
Giant Stores Trading Company ("Giant")*	Saudi Arabia	Retail	10	10
Savola Industrial Investment Company ("SIIC")*	Saudi Arabia	Holding company	5	5

\* Group holds controlling equity ownership interest in USCE, Giant and SIIC through indirect shareholding of other Group companies.

Effective September 16, 2009, the Group's subsidiary, Panda acquired the operations of Saudi Geant Company Limited ("Geant"). In accordance with the share purchase agreement (the "agreement"), Geant is entitled to acquire 1% shareholding in Panda, starting 2013 for a maximum period of 3 years. Geant had exercised its right during 2013 and acquired 1% shareholding of Panda, which resulted in reduction in the ownership interest of the Group in Panda from 93% to 92%. However, Geant did not exercise its right to acquire 1% shareholding in Panda during 2014. During August, 2015, Geant had exercised its right of acquiring the final 1% ownership interest in Panda for a consideration of Saudi Riyals 52.2 million. As a result of this transaction, the Group has realized a capital gain of Saudi Riyals 25.8 million during the year ended December 31, 2015, which is recorded in the equity within "Effect of transaction with non-controlling interest without change in control". Accordingly, the ownership interest of the Group in Panda has reduced from 92% to 91% as at December 31, 2015. Further, during the year ended December 31, 2015 the share capital of Panda has been increased by Saudi Riyals 800 million by issuance of 80 million shares at Saudi Riyals 10 per share to its existing shareholders in the existing shareholder ratio.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

### 1 General information (continued)

#### (a) Direct subsidiaries of the Company (continued)

##### (ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) at December 31	
			2015	2014
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding Company	100	100
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding Company	100	100
Aalinah Al Kawniah Limited	Saudi Arabia	Holding Company	100	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding Company	100	100
Adeem Arabia Company Limited	Saudi Arabia	Holding Company	80	80
Madarek Investment Company	Jordan	Holding Company	100	100
Arabian Al Utur Holding Company for Commercial Investment	Saudi Arabia	Holding Company	100	100
Al Mojammatt Al Mowahadah Real Estate Company	Saudi Arabia	Holding Company	100	100
Marasina International Real Estate Investment Limited	Saudi Arabia	Holding Company	100	100
Asda'a International Real Estate Investment Limited	Saudi Arabia	Holding Company	100	100
Masa'ay International Real Estate Investment Limited	Saudi Arabia	Holding Company	100	100
Saraya International Real Estate Investment Limited	Saudi Arabia	Holding Company	100	100
Savola Trading International Limited	British Virgin Island ("BVI")	Dormant Company	100	100
United Properties Development Company	Saudi Arabia	Dormant Company	100	100
Kamin Al Sharq for Industrial Investments	Saudi Arabia	Dormant Company	100	100
Arabian Sadouk for Telecommunications Company	Saudi Arabia	Dormant Company	100	100
Al Maoun International Holding Company	Saudi Arabia	Dormant Company	100	100
Afia Foods Arabia	Saudi Arabia	Dormant Company	100	100
Al Mustabshiroun International for Real Estate Investment Company	Saudi Arabia	Dormant Company	100	100

#### (b) Subsidiaries controlled through SFC

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) at December 31	
			2015	2014
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of Edible oils	95.19	95.19
SIIC	Saudi Arabia	Holding Company	95	95
Savola Foods Emerging Markets Company Limited ("SFEM")	BVI	Holding Company	95.43	95.43
Savola Foods for Sugar Company ("SFSC")	Cayman Islands	Holding Company	95	95
El Maleka for Food Industries Company	Egypt	Manufacturing of Pasta	100	100
El Farasha for Food Industries Company	Egypt	Manufacturing of Pasta	100	100
Savola Foods Company International ("SFCI") Limited	UAE	Holding Company	100	100
International Foods Industries Company Limited ("IFI")*	Saudi Arabia	Manufacturing of Specialty fats	75	60
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of Sugar	19	19
<b>SFCI</b>				
Modern Behtaam Royan Kaveh Company ("MBRK")	Iran	Food and confectionary	100	100
<b>SIIC</b>				
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of Sugar	74.48	74.48



## 1 General information (continued)

### (b) Subsidiaries controlled through SFC (continued)

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) at December 31	
			2015	2014
<b>USC</b>				
USCE	Egypt	Manufacturing of Sugar	56.75	56.75
ASCE	Egypt	Manufacturing of Sugar	62.13	62.13
Beet Sugar Industries	Cayman Islands	Dormant Company	100	100
<b>USCE</b>				
ASCE	Egypt	Manufacturing of Sugar	18.87	18.87
<b>ASCE</b>				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	100	100
<b>SFEM</b>				
Savola Morocco Company	Morocco	Manufacturing of Edible oils	100	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible oils	100	100
AFIA International Company – Algeria	Algeria	Manufacturing of Edible oils	100	100

\* During December 2015, SFC acquired additional 15% ownership interest in IFI after completing necessary legal formalities.

### (c) Subsidiaries controlled through AIC

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2015	2014
Savola Behshahr Company (SBeC)	Iran	Holding Company	90	90
Malintra Holdings	Luxembourg	Holding Company	100	100
Savola Foods Limited ("SFL")	BVI	Holding Company	100	100
Afia International Company – Jordan	Jordan	Dormant Company	97.4	97.4
Inveskz Inc.	BVI	Holding Company	90	90
Afia Trading International	BVI	Trading Company	100	100
Savola Foods International	BVI	Dormant Company	100	100
KUGU Gida Yatım ve Ticaret A.S ("KUGU")	Turkey	Holding Company	100	100
<b>SBeC</b>				
Behshahr Industrial Company ("BIC")	Iran	Manufacturing of Edible oils	79.9	79.9
Tolue Pakshe Aftab ("TPA") Company	Iran	Trading and Distribution	100	100
Savola Behshahr Sugar Company	Iran	Trading and Distribution	100	100
Notrika Golden Wheat Company ("Nortika")*	Iran	Food and confectionery	90	–
<b>SFL</b>				
Afia International Company, Egypt	Egypt	Manufacturing of Edible oils	99.92	99.92
Latimar International Limited	BVI	Dormant Company	100	100
Elington International Limited	BVI	Dormant Company	100	100
<b>KUGU</b>				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oils	100	100

\* During September 2015, SBeC acquired 90% ownership interest in Notrika that is engaged in manufacturing of confectionery products.

During May 2014, AIC acquired additional 10% equity ownership interest in SBeC from Behshahr Industrial Development Company ("BID"), in exchange of disposing its indirect shareholding of 79.9% equity ownership interest in MMC to BID. Accordingly, the Group recorded an adjustment in 'Effect of transaction with non-controlling without change in control' on this transaction.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

### 1 General information (continued)

#### (d) Subsidiaries controlled through Panda

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2015	2014
<b>Panda</b>				
Giant	Saudi Arabia	Retail	90	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services & Maintenance	100	100
Panda International for Retail Trading	Egypt	Retail	100	100
Panda International Retail Trading	United Arab Emirates	Retail	100	100
Panda Bakeries LLC	Saudi Arabia	Bakery	100	–
<b>Giant</b>				
Lebanese Sweets and Bakeries (“LSB”)	Saudi Arabia	Dormant Company	95	95

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments and derivative financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

#### 2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

##### (b) Impairment of available for sale investments

The Group exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is ‘significant’ and ‘prolonged’ requires judgment. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

##### (c) Provision for doubtful debts

A provision for impairment of account receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are over due, are assessed collectively and a provision is recognized considering the length of time considering the past recovery rates.

## 2 Summary of significant accounting policies (continued)

### 2.2 Critical accounting estimates and judgments (continued)

#### (d) Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

#### (e) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

### 2.3 Investments

#### (a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any. The subsidiaries on which the Group control is temporary are not consolidated and are accounted for as an associates.

Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary after acquiring control, is accounted as equity transactions and the carrying amounts of the non-controlling interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with non-controlling interest without change in control".

#### (b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

The Group's share of its associates' post-acquisition income or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associate companies equals or exceeds its interest in the associate and jointly-controlled company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Dilution gains and losses arising in investment in associates are recognized in the consolidated income statement.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

All amounts in Saudi Riyals thousands unless otherwise stated

### 2 Summary of significant accounting policies (continued)

#### 2.3 Investments (continued)

##### (c) Investment in available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

- (i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. Where fair values cannot be reliably estimated, the Group records such investment at cost.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as other reserves until the investment is disposed.

#### 2.4 Segment reporting

##### (a) Business segment

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

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

##### (b) Geographical segment

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

#### 2.5 Foreign currency translations

##### (a) Reporting currency

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

##### (b) Transactions and balances

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

##### (c) Group companies

The results and financial position of foreign subsidiaries and associates having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for each consolidated income statement are translated at average exchange rates; and
- (iii) components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

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

Any goodwill arising on acquisition of foreign subsidiaries and any subsequent fair value adjustments to the carrying values of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate and recognized in the equity.

Dividends received from associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated income statement.

When investments in foreign subsidiaries and associates are partially disposed off or sold, currency translation differences that were recorded in equity are recognized in income as part of gain or loss on disposal or sale.

## 2 Summary of significant accounting policies (continued)

### 2.5 Foreign currency translations (continued)

#### (d) Hyperinflationary economies

When the economy of a country in which the Group operates is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the consolidated balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position for the year is included in finance costs or income. Comparative amounts are not adjusted.

When the economy of a country, in which the Group operates, is no more deemed a hyperinflationary economy, the Group ceases application of hyperinflationary economies accounting at the end of the reporting period that is immediately prior to the period in which hyperinflation ceases. The amounts in the Group's consolidated financial statements as at that date are considered as the carrying amounts for the subsequent consolidated financial statements of the Group.

### 2.6 Cash and cash equivalents

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

### 2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

### 2.8 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads. Inventories in transit are valued at cost. Stores and spares are valued at cost, less any provision for slow moving items.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

### 2.9 Property, plant and equipment

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

Assets	Estimated useful lives
Buildings	12.5 - 33 years
Leasehold improvements	3 - 33 years
Plant and equipment	3 - 30 years
Furniture and office equipment	3 - 16 years
Vehicles	4 - 10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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### 2 Summary of significant accounting policies (continued)

#### 2.10 Intangible assets

##### (i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

##### (ii) Other intangible assets with infinite useful life

Other intangible assets comprise of trade name and certain other intangibles. Intangible assets with infinite useful life represent group acquisition of such asset in a business combination. These assets are carried at cost and are not amortized.

##### (iii) Deferred charges

Costs that are not of benefit beyond the current period are charged to the consolidated income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the accompanying consolidated balance sheet, include certain indirect construction costs incurred by the Group in relation to setting up its retail outlets and production facilities. Such costs are amortized over periods which do not exceed five years.

#### 2.11 Impairment

##### (a) Tangibles and Intangible assets

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

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

##### (b) Financial assets

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

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

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

#### 2.12 Assets and liabilities classified as held for sale

Non-current assets (or disposal group) are classified as assets held for sale when their carrying amounts is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at a lower of carrying amount and fair value less costs to sell.

## 2 Summary of significant accounting policies (continued)

### 2.12 Assets and liabilities classified as held for sale (continued)

#### Discontinued Operations

A discontinued operation is a component (cash generating unit) of an entity that either has been disposed of or is classified as held for sale and a) represents a major business line or geographical area of operations; b) is part of a single coordinated plan to dispose of a separate major business line or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resell.

The Group presents after zakat and tax results from discontinued operations as a single separate component of the consolidated income statement. Revenues, expenses, taxes, gains or losses on the measurement to fair value less costs to sell and cash flows are additionally disclosed.

### 2.13 Borrowings

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

### 2.14 Sukuk

The Group classifies its Sukuk as financial liability, in accordance with the substance of the contractual terms of the Sukuk.

### 2.15 Accounts payable and accruals

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

### 2.16 Provision

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

### 2.17 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling interest in the accompanying consolidated financial statements. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to consolidated income statement.

Deferred income tax assets are recognized on carry-forward tax losses and on all major temporary differences between financial income and taxable income to the extent that it is probable that future taxable profit will be available against which such carry-forward tax losses and the temporary differences can be utilized. Deferred income tax liabilities are recognized on significant temporary differences expected to result in an income tax liability in future periods. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

### 2.18 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the consolidated income statement. The liability is calculated; at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries.

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### 2 Summary of significant accounting policies (continued)

#### 2.19 Revenues

Revenues are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Revenues are shown net of discounts, and after eliminating sales within the Group.

Rental income from operating leases is recognized in the consolidated income statement over the lease term. Promotional and display income is comprised of income earned from promotion and display of various products by vendors within the Group's retail stores and is recognized in the period it is earned.

Dividend income is recognized when the right to receive payment is established.

#### 2.20 Selling, marketing and general and administrative expenses

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

#### 2.21 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of Group.

#### 2.22 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 9.1. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

##### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging commodity (raw sugar) value risk. The gain or loss relating to the effective portion of the hedging transaction is recognised in the consolidated income statement within "cost of sales". The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within 'Finance income/charges – net'. Changes in the fair value of the hedge futures are recognised in the consolidated income statement within 'Cost of Sales'.

##### (b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'Finance income/charges – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of commodity value is recognised in the consolidated income statement within 'Cost of sales'. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost. The deferred amounts are ultimately recognised in cost of sales for inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'Finance income/charges – net'.



## **2 Summary of significant accounting policies (continued)**

### **2.23 Operating leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

### **2.24 Insurance recoveries**

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

### **2.25 Reclassification**

For better presentation, certain amounts relating to 2014 comparative consolidated financial statements have been reclassified to conform to 2015 presentation.

## **3 Financial instruments and risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, accounts receivable, investments, long term receivables, short-term and long-term borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

### **3.1 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Iranian Riyals, Turkish Lira, Egyptian Pounds and Sudanese Pounds. Such fluctuations are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

### **3.2 Fair value and cash flow interest rate risks**

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from its short-term deposits and bank borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates. During 2014, the Group entered into Interest Rate Swaps ("IRS") to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge.

### **3.3 Price risk**

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because Group holds investment in certain listed equities which are classified on the consolidated balance-sheet as available-for-sale investments. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities. USCE and USC uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

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### 3 Financial instruments and risk management (continued)

#### 3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash and cash equivalents are placed with banks with sound credit ratings. Accounts and other receivable are carried net of provision for doubtful debts.

The table below shows the maximum exposure to credit risk for the significant components of the consolidated balance sheet:

	2015	2014
Bank balances and short term deposits	2,041,198	1,595,569
Accounts receivable	874,565	937,869
Other current assets	466,588	672,014
Other long term assets	177,207	322,096
	3,559,558	3,527,548

#### 3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

As at December 31, 2015, the Group has unused bank financing facilities amounting to Saudi Riyals 3.5 billion (2014: Saudi Riyals 3.1 billion).

#### 3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, except for available-for-sale investments and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

### 4 Assets classified as held for sale and liabilities associated with assets held for sale

During December 2014, the Group signed a sale purchase agreement with Takween Advanced Industries (a third party) for sale of its ownership interest in SPS, which represented the Group's plastic segment. The Group's management had classified the assets and liabilities of SPS, as held-for-sale at December 31, 2014. During the quarter ended March 31, 2015, all legal formalities for the sale of SPS were completed. Also, during 2010, as an outcome of review of its foods business pruning strategy, the Group decided to entrench its position in core markets and assessed exiting from certain overseas operations. Accordingly, parts of manufacturing facilities within the edible oil segment of the Group are also presented as 'held for sale'. Details of assets and liabilities held for sale at December 31, are as follows:

	2015	2014
Assets classified as held for sale, relating to:		
- Plastics segment	–	1,298,916
- Foods segment	45,035	36,921
	45,035	1,335,837
Liabilities associated with assets held for sale, relating to		
- Plastics segment	–	674,561
- Foods segment	94,233	83,099
	94,233	757,660

#### 4 Assets classified as held for sale and liabilities associated with assets held for sale (continued)

Details of assets and liabilities held for sale at December 31, are as follows:

##### 4.1 Assets and liabilities held for sale

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	6	45,600
Accounts receivable and other receivables	27,117	350,437
Inventories	13,148	275,046
Property, plant and equipment	4,764	530,159
Other non-current assets	–	134,595
Disclosed as 'Assets classified as held for sale' in the consolidated balance sheet	45,035	1,335,837
<b>Liabilities</b>		
Borrowings	48,935	478,064
Accounts payable and other liabilities	45,298	245,159
Non-current liabilities	–	34,437
Disclosed as 'Liabilities associated with assets held for sale in the consolidated balance sheet	94,233	757,660

As at December 31, 2014, the "Currency translation differences" and "Effect of transaction with non-controlling interest without change in control", related to the discontinued plastic segment operations, amounts to Saudi Riyals 21.1 million and Saudi Riyals 11.1 million, respectively (December 31, 2015: Nil).

##### 4.2 Income from discontinued operations

Details of income from the discontinued plastic segment operations for the year ended December 31, 2014 are as follows:

	2014
Sales	1,110,880
Cost of sales	(973,941)
Gross profit	136,939
<b>Operating expenses</b>	
Selling and marketing	(38,704)
General and administrative	(34,268)
Income from operations	63,967
<b>Other income (expenses)</b>	
Financial charges	(10,220)
Income before foreign income taxes and zakat	53,747
Zakat and foreign income taxes	(3,462)
Net income for the year disclosed as 'Income from discontinued operations' in the consolidated income statement	50,285

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### 4 Assets classified as held for sale and liabilities associated with assets held for sale (continued)

#### 4.3 Cash flows from discontinued operations

Details of cash flows from the discontinued plastic segment for the year ended December 31, 2014 is as follows:

	2014
Cash flows from operating activities	104,291
Cash flows from investing activities	(50,793)
Cash flows from financing activities	(75,701)
Total cash flows from discontinued operations	(22,203)

### 5 Segment information

The Group operates principally in the following major business segments:

Food – includes manufacturing and sale of Edible oils, Sugar, Pasta products and Confectioneries.

Retail – includes hyper markets, super markets and convenience stores operations.

Investment and other activities segment – includes Group subsidiaries which are engaged in real estate activities, investments in associates, available-for-sale investments and other investments.

The Group has sold its plastic operations during March 2015.

(a) Selected financial information as of December 31, 2015 and 2014, and for the year then ended summarized by segment, is as follows:

	Food	Retail	Plastic (sold operations)	Investments and other activities	Eliminations	Total
<b>2015</b>						
Property, plant and equipment – net	3,411,031	3,885,458	–	610,214	–	7,906,703
Other non-current assets	852,180	338,738	–	8,530,242	–	9,721,160
Revenues – net	13,112,024	13,532,731	–	144,856	(364,195)	26,425,416
Net income	687,559	146,359	–	972,386	(14,557)	1,791,747
<b>2014</b>						
Property, plant and equipment – net	3,261,232	2,983,434	–	510,850	–	6,755,516
Other non-current assets	805,757	322,826	–	8,279,810	–	9,408,393
Revenues – net	14,591,948	12,204,377	–	127,173	(335,656)	26,587,842
Net income	610,285	502,649	50,285	937,564	(28,464)	2,072,319

Net income denotes net income attributable to the shareholders' of the parent company.

(b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of December 31, 2015 and 2014 and for the years then ended summarized by geographic area, is as follows:

	Saudi Arabia	Egypt	Iran	Other countries	Total
<b>2015</b>					
Property, plant and equipment – net	5,358,457	1,616,303	730,105	201,838	7,906,703
Other non-current assets	9,304,118	350,215	61,699	5,128	9,721,160
Revenues – net	17,561,509	3,465,940	2,701,598	2,696,369	26,425,416
Net income (loss)	1,483,058	(28,760)	232,106	105,343	1,791,747
<b>2014</b>					
Property, plant and equipment – net	4,173,071	1,632,517	719,489	230,439	6,755,516
Other non-current assets	8,792,209	441,669	60,956	113,559	9,408,393
Revenues – net	16,797,531	3,533,006	3,463,111	2,794,194	26,587,842
Net income (loss)	1,860,821	(36,850)	158,909	89,439	2,072,319

## 6 Cash and cash equivalents

	2015	2014
Cash in hand	25,870	38,943
Cash at bank	1,334,976	1,208,850
Short term deposits	706,222	386,719
	2,067,068	1,634,512

Short term deposits are held by commercial banks and yield commission income at prevailing market rates.

## 7 Accounts receivable

	Note	2015	2014
Trade		931,283	994,932
Less: provision for doubtful debts		(56,718)	(57,063)
		874,565	937,869
Due from related parties	21.2	39,944	64,166
		914,509	1,002,035

## 8 Inventories

	2015	2014
Finished products	3,484,851	2,762,835
Raw and packing materials	1,116,297	1,142,589
Work in process	100,497	152,890
Spare parts and supplies, not held for sale	200,484	195,635
Goods in transit	159,615	239,398
	5,061,744	4,493,347
Less: provision for inventory obsolescence/slow moving	(221,438)	(80,239)
	4,840,306	4,413,108

Inventories amounting to Saudi Riyals 366.8 million at December 31, 2015 (2014: Saudi Riyals 353.9 million) are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated subsidiaries.

## 9 Prepayments and other receivables

	Note	2015	2014
Advances to vendors and others		479,935	625,815
Prepaid rent and expenses		440,019	360,177
Insurance claim receivable		23,004	203,725
Current portion of long term receivables	11.1.1	150,380	153,395
Balance relating to commodity future and forward contracts	9.1	85,074	120,162
Receivable from government authorities	9.2	28,519	111,085
Employee receivables		56,230	61,158
Refundable deposits		56,972	28,356
Due from related parties	21.2	42,033	57,177
Unclaimed dividends		25,679	16,880
Other		151,483	114,295
		1,539,328	1,852,225

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### 9 Prepayments and other receivables (continued)

#### 9.1 Balance related to future and forward contracts

Balance related to future and forward contracts represents fair value of commodity hedging contracts outstanding at year end date which were entered into by the Group during the year. Forward and future contract assets as at December 31, 2015 are disclosed in the above note and forward and future contract liabilities are disclosed in 'Accrued and other liabilities' (Note 17). The hedge effectiveness test conducted by the management has proven that fair value hedge was highly effective. Accordingly, the effective portion of the changes in the fair value of the derivatives was charged directly to the 'cost of sales' in accordance with the accounting policy. The hedging arrangements that did not qualify for hedge accounting were recognised in the consolidated income statement amounting to gain of Saudi Riyals 97.6 million (2014: Saudi Riyals 55.5 million) (Note 30). The effective portion recognised in the fair value reserve on the consolidated balance sheet that arises from cash flow hedges amounts to a gain of Saudi Riyals Nil (2014: Saudi Riyals 2.4 million).

The notional principal amounts of the outstanding forward and future contracts at December 31, 2015 were Saudi Riyals 1,131 million (2014: Saudi Riyals 2,168 million).

#### 9.2 Receivable from government authorities

Receivable from government authorities represent claims of certain foreign consolidated subsidiaries from respective local governments on account of value added tax, subsidies and advance taxes.

### 10 Long term receivables

	Note	2015	2014
Sale proceeds receivable on disposal of investment in Diyar Al Mashreq	11.1.1	148,960	298,480
Non-current trade receivable		28,247	23,616
		177,207	322,096

### 11 Investments

	Note	2015	2014
Investment in associates	11.1	7,720,958	7,188,197
Available for sale investments (AFS)	11.2	709,275	732,519
		8,430,233	7,920,716

#### 11.1 Investment in associates

Investment in associates at December 31, comprised of the following:

	Effective ownership interest (%)		2015	2014
	2015	2014		
Almarai Company ("Almarai")	36.52	36.52	6,362,608	5,856,686
Kinan International for Real Estate Development Company ("Kinan")	29.9	29.9	617,143	597,418
Herfy Foods Services Company ("Herfy")	49	49	391,739	361,072
Intaj Capital Limited	49	49	179,244	189,244
Al-Seera City Company For Real Estate Development	40	40	151,790	164,578
Knowledge Economic City Development Company	17	17	16,435	17,200
Others	Various	Various	1,999	1,999
			7,720,958	7,188,197

## 11 Investments (continued)

### 11.1 Investment in associates (continued)

Movement in the investment in associates is as follows:

	Note	2015	2014
January 1		7,188,197	7,125,209
Share in net income		794,948	930,153
Fair value reserve adjustment	24	27,121	(98,648)
Disposals	11.1.1	–	(285,026)
Dividends		(289,308)	(354,939)
Other adjustments	11.1.2	–	(80,752)
Impairment	29	–	(47,800)
December 31		7,720,958	7,188,197

#### 11.1.1 Disposal of investment in Diyar

During September 2014, the Company sold its direct and indirect ownership in Diyar Al Mashreq – Masharef Project to its associate Kinan at a total price of Saudi Riyals 593.6 million. Accordingly, the Group recorded a capital gain on this transaction amounting to Saudi Riyals 187.5 million. As per the terms of the agreement, Kinan will pay the proceeds in four installments. First instalment of Saudi Riyals 112 million was paid upon signing of contract and the second installment of Saudi Riyals 167.6 million was paid during 2015. The abovementioned receivable amounts from Kinan are discounted at their respective present values and are included within 'Long term receivables' in the consolidated balance sheet. The present value of the remaining two installments are as follows:

Years ending December 31:

2016	150,380
2017	148,960
	299,340

11.1.2 Other adjustment during 2014 principally represents the adjustment in the capital gain, as required by general accepted accounting principles, on the sale of Diyar to the extent of Company's shareholding percentage in Kinan, since Kinan is an associate of the Group.

### 11.2 Available-for-sale investments

AFS investments at December 31, principally comprise the following:

	Effective ownership interest (%)		2015	2014
	2015	2014		
<b>Quoted investments</b>				
Emaar the Economic City	0.9	0.9	96,319	88,503
Knowledge Economic City	6.4	6.4	336,660	367,720
Taameer Jordan Holding Company	5	5	–	–
<b>Unquoted investments</b>				
Swicorp Joussour Company ("Joussour")	14.81	14.81	135,869	135,869
Swicorp, Saudi Arabia	15	15	115,674	115,674
Dar Al Tamleek	5	5	24,753	24,753
			709,275	732,519

During 2015, the Group received dividend amounting to Saudi Riyals 1.17 million (2014: Saudi Riyals 47.4 million) from some of the above mention available-for-sale investments.

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### 11 Investments (continued)

#### 11.2 Available-for-sale investments (continued)

Movement in the available-for-sale investments was as follows:

	Note	2015	2014
January 1		732,519	810,140
Impairment	29	–	(19,600)
Fair value reserves adjustments	24	(24,807)	(25,093)
Capital reduction		–	(30,828)
Others		1,563	(2,100)
December 31		709,275	732,519

### 12 Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress	Total
<b>Cost</b>								
January 1, 2015	963,824	939,056	1,429,865	2,710,928	2,068,918	353,822	2,169,625	10,636,038
Additions	362,720	131,087	7,006	70,273	387,204	64,291	1,054,024	2,076,605
Assets classified as held for sale	(4,764)	–	–	–	–	–	–	(4,764)
Disposals	(53,393)	(20,559)	–	(505)	(48,446)	(25,345)	(26,155)	(174,403)
Transfer from/(to) CWIP	–	561,763	293	195,986	143,371	1,390	(902,803)	–
Hyperinflation adjustment	(90)	(10,419)	–	(9,457)	(1,001)	(664)	341	(21,290)
Currency translation differences	(4,132)	(67,822)	(2,787)	(167,540)	(21,416)	(5,808)	(25,003)	(294,508)
December 31, 2015	1,264,165	1,533,106	1,434,377	2,799,685	2,528,630	387,686	2,270,029	12,217,678
<b>Accumulated depreciation</b>								
January 1, 2015	–	(422,697)	(396,809)	(1,570,963)	(1,252,824)	(237,126)	(103)	(3,880,522)
Additions	–	(166,040)	(3,209)	(158,573)	(219,747)	(41,251)	–	(588,820)
Disposals	–	10,654	–	1,845	42,039	23,929	–	78,467
Hyperinflation adjustment	–	416	–	5,545	498	330	–	6,789
Currency translation differences	–	17,816	695	40,962	12,876	659	103	73,111
December 31, 2015	–	(559,851)	(399,323)	(1,681,184)	(1,417,158)	(253,459)	–	(4,310,975)
Net book value	1,264,165	973,255	1,035,054	1,118,501	1,111,472	134,227	2,270,029	7,906,703
<b>Cost</b>								
January 1, 2014	676,097	1,026,743	1,280,736	3,972,656	1,678,432	328,541	1,684,582	10,647,787
Additions	429,128	28,080	143,234	41,347	256,561	46,362	874,169	1,818,881
Assets classified as held for sale	(8,473)	(3,073)	(126,222)	(1,019,577)	(11,878)	(8,352)	(65,542)	(1,243,117)
Disposals	(54,912)	(47,846)	(5,292)	–	(15,612)	(8,715)	(1,419)	(133,796)
Transfer from/(to) CWIP	(5,174)	(32,345)	140,154	(148,237)	169,354	(2,210)	(268,039)	(146,497)
Hyperinflation adjustment	656	9,070	910	(8,840)	1,081	645	(25,513)	(21,991)
Currency translation differences	(73,498)	(41,573)	(3,655)	(126,421)	(9,020)	(2,449)	(28,613)	(285,229)
December 31, 2014	963,824	939,056	1,429,865	2,710,928	2,068,918	353,822	2,169,625	10,636,038
<b>Accumulated depreciation</b>								
January 1, 2014	–	(401,462)	(384,675)	(2,149,983)	(1,106,417)	(214,101)	(103)	(4,256,741)
Additions	–	(57,849)	(81,701)	(177,043)	(177,828)	(39,654)	–	(534,075)
Assets classified as held for sale	–	–	65,651	610,648	9,967	6,053	–	692,319
Disposals	–	32,275	7,674	122,154	19,613	11,071	–	192,787
Hyperinflation adjustment	–	(1,625)	(1)	(8,445)	(430)	(1,826)	–	(12,327)
Currency translation differences	–	5,964	(3,757)	31,706	2,271	1,331	–	37,515
December 31, 2014	–	(422,697)	(396,809)	(1,570,963)	(1,252,824)	(237,126)	(103)	(3,880,522)
Net book Value	963,824	516,359	1,033,056	1,139,965	816,094	116,696	2,169,522	6,755,516



## 12 Property, plant and equipment (continued)

- Currency translation differences at December 2015 and 2014 pertain to differences from currency translation of the Group's overseas subsidiaries.
- Construction work in progress relates to the construction of supermarkets and hypermarkets for Panda and upgrading and enhancing the production facilities of certain subsidiaries of SFC.
- Certain property, plant and equipment of the Group overseas subsidiaries are pledged as collateral with commercial banks. Also see Note 15.
- Additions include Saudi Riyals 32 million in respect of finance costs capitalized during 2015 (2014: Saudi Riyals 58 million). The average rate used to determine the amount of finance costs capitalized during 2015 was 2.5% (2014: 2.4%).

## 13 Intangible assets

	Goodwill	Deferred charges	Other intangible assets	Total
<b>Cost</b>				
January 1, 2015	801,379	590,722	242,876	1,634,977
Additions	22,702	5,162	–	27,864
Currency translation differences	(27,674)	–	–	(27,674)
December 31, 2015	796,407	595,884	242,876	1,635,167
<b>Amortization</b>				
January 1, 2015	–	(469,396)	–	(469,396)
Additions	–	(52,051)	–	(52,051)
December 31, 2015	–	(521,447)	–	(521,447)
Net balance	796,407	74,437	242,876	1,113,720
<b>Cost</b>				
January 1, 2014	938,070	571,696	263,176	1,772,942
Additions	–	29,710	–	29,710
Classified under assets held for sale	(125,909)	(10,684)	–	(136,593)
Disposal of subsidiary	–	–	(20,300)	(20,300)
Currency translation differences	(10,782)	–	–	(10,782)
December 31, 2014	801,379	590,722	242,876	1,634,977
<b>Amortization</b>				
January 1, 2014	–	(429,114)	–	(429,114)
Classified under assets held for sale	–	1,998	–	1,998
Additions	–	(42,280)	–	(42,280)
December 31, 2014	–	(469,396)	–	(469,396)
Net balance	801,379	121,326	242,876	1,165,581

### 13.1 Goodwill

#### Impairment tests for goodwill

The recoverable amount of goodwill is determined based on value in use using discounted cash flow analysis. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The discount rates and perpetuity growth rates averaged between 8% to 19% and 3% to 5%. The discount rates used are pre-zakat and pre-income tax reflect specific risks relating to the industry. The results of impairment test at December 31, 2015 and 2014 indicated no impairment charge.

## 14 Short-term borrowings

Short-term borrowings consist of bank overdrafts, short-term loans and Murabaha financing arrangements from various commercial banks and financial institutions. Such debts bear financing charges at the prevailing market rates. Certain short-term borrowings of subsidiaries are secured by corporate guarantees of the Company.

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### 15 Long-term borrowings

	Note	2015	2014
Commercial bank loans	15.1	3,607,881	3,748,917
Sukuk	15.2	1,500,000	1,500,000
		5,107,881	5,248,917
Current maturity shown under current liabilities		(528,785)	(646,204)
		4,579,096	4,602,713

#### 15.1 Commercial bank loans

Borrowings from commercial banks and other financial institutions represent financing for the Company and its consolidated subsidiaries. These borrowings are in Saudi Riyals, Egyptian pounds, Turkish lira and US Dollars. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain subsidiaries having net book value of approximately Saudi Riyals 1,902 million (2014: Saudi Riyals 2,682 million). The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are secured by corporate guarantees of the Company.

#### 15.2 Sukuk

In an extraordinary general meeting held on December 15, 2012, the Company's shareholders approved the establishment of a Sukuk program pursuant to which the Company can issue Sukuk through one or more tranches for an amount that will not exceed the Company's paid-up capital.

As of January 22, 2013, the Group completed its initial offering under this program by issuing Sukuk with a total value of Saudi Riyals 1.5 billion. The Sukuk issued have a tenor of 7 years, and have been offered at nominal value with an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.10%.

The covenants of the Sukuk require the Group to maintain certain financial and other conditions.

#### 15.3 Maturity profile of long-term borrowings

Years ending December 31:	2015	2014
2015	–	646,204
2016	528,785	1,579,164
2017	1,433,611	562,435
2018	594,673	349,131
2019	567,833	611,983
2020 and thereafter	1,982,979	1,500,000
	5,107,881	5,248,917

#### 15.4 Interest Rate Swaps (IRS)

The Company has entered into IRS contracts with local commercial banks to hedge its interest rate exposure on its borrowings and is expected to mature in 2020. The fair value of such contracts outstanding as at December 31, 2015 amounted to Saudi Riyals 7.05 million (2014: Saudi Riyals 23.5 million) which are disclosed within 'accrued and other liabilities' and the fair value adjustment amount is recorded within equity under fair value reserve (See note 24).

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2015 were Saudi Riyals 750 million (2014: Saudi Riyals 750 million).

### 16 Accounts payable

	Note	2015	2014
Trade		3,013,835	2,623,219
Related parties	21.2	112,549	97,672
		3,126,384	2,720,891

## 17 Accrued and other liabilities

	Note	2015	2014
Accrued expenses and other liabilities		515,189	679,054
Accrued zakat and tax	17.1	258,134	270,280
Marketing related accruals		218,453	220,283
Accrued interest		237,167	189,495
Accrued utilities freight and other accrued charges		125,459	72,988
Employee related accrual		135,853	184,892
Unclaimed dividend		201,244	183,556
Payable to contractors		147,709	157,285
Balances related to forward contracts	9.1,15.4	34,367	42,018
Advances from customers		50,244	35,257
Payable to government authorities		62,433	19,126
Dividend payable to non-controlling interest		23,520	18,422
		2,009,772	2,072,656

### 17.1 Zakat and tax matters

Zakat and taxes included in the consolidated income statement are comprised of the following:

	2015	2014
Income tax	114,439	126,532
Zakat	23,263	53,894
	137,702	180,426

The movement in the accrual for zakat and taxes are as follows:

	2015	2014
January 1,	270,280	376,004
Charge	137,702	180,426
Classified within 'liabilities associated with assets held for sale'	–	(13,649)
Disposal of subsidiary	(39,636)	(31,405)
Payments/Currency translation adjustment	(110,212)	(241,096)
December 31,	258,134	270,280

#### 17.1.1 Components of zakat base

The Group's Saudi Arabia's subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

#### 17.1.2 Status of final assessments

##### (a) Zakat status

The Company has finalized its zakat status up to the year 2004 and has filed the Zakat returns for the years 2005 to 2011. The DZIT issued the assessment for the year 2009 and claimed zakat differences of Saudi Riyals 1.3 million. The Company has paid for such zakat differences under appeal.

The Company's Saudi subsidiaries received final zakat certificates for certain years and provisional zakat certificates for other years. They have also received queries from the DZIT for the open years, for which replies have been/will be filed by the respective companies. Some Saudi subsidiaries received assessments from the DZIT concerning their zakat declarations for the open years, in which the DZIT assessed additional zakat liabilities of approximately Saudi Riyals 46.8 million (2014: Saudi Riyals 47.1 million). The subsidiaries have appealed such additional assessments.

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### 17 Accrued and other liabilities (continued)

#### 17.1 Zakat and tax matters (continued)

##### 17.1.2 Status of final assessments (continued)

###### (b) Income tax status

The Group's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Some of the foreign subsidiaries are currently tax exempt. Tax paying foreign subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. Certain foreign subsidiaries are also obliged to pay quarterly advance tax determined on prior year tax liability bases.

Certain foreign subsidiaries have received final tax assessments for certain years and provisional tax assessments for other years. They have also received queries from departments of income tax after their assessment or inspections for open years, for which replies have been filed.

The Group management believes that there are no significant amounts under protest with departments of income tax in any foreign operation.

#### 17.2 Deferred tax liability

	2015	2014
January 1	80,205	45,939
Addition	22,727	37,791
Disposal of subsidiary	–	(3,525)
December 31	102,932	80,205

Deferred tax liability is calculated on temporary difference on end of service provision, deferred rent payable and property plant and equipment of certain foreign subsidiaries of the Group under the liability method using effective tax rate.

### 18 Deferred gain

	2015	2014
January 1	192,410	180,116
Addition	–	28,502
Amortization	(17,096)	(16,208)
December 31	175,314	192,410

Deferred gain principally relates to deferral of capital gain on land and building sale and operating leaseback transaction by the Group subsidiaries. Such gains are deferred over the lease period.

### 19 Long-term payables

	Note	2015	2014
Unclaimed dividends	19.1	52,437	53,273
Deferred rent payable		14,048	11,315
		66,485	64,588

#### 19.1 Unclaimed dividends

Long-term payables at December 31, 2015 and 2014 represent dividends declared in prior years and share fractions, which resulted from split of shares in prior years. Such amounts have not yet been claimed by the respective shareholders for several years. In the opinion of management, such amounts are unlikely to be paid during 2016 and, accordingly, they have been classified under non-current liabilities.

## 20 Employee termination benefits

	2015	2014
January 1	372,168	350,969
Provisions	77,586	109,293
Classified within 'liabilities associated with assets held for sale'	–	(25,484)
Disposal of subsidiary	–	(8,438)
Payments/Currency translation adjustment	(37,534)	(54,172)
December 31	412,220	372,168

## 21 Related party matters

Related party transactions mainly represent sale and purchase of products in the ordinary course of business with associates and other entities related to certain consolidated subsidiaries. The terms of such transactions are mutually agreed between the parties. All related party transactions are approved by the management.

### 21.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

	2015	2014
Sales	340,280	622,588
Purchases	855,935	765,389
Rent expense charged by related parties	100,887	113,993
Key management personnel remuneration	25,876	40,909

### 21.2 Related party balances

Significant year end balances arising from transactions with related parties are as follows:

#### (i) Due from related parties – trade

Company name	Relationship	2015	2014
Certain shareholders of USC	Shareholders of a subsidiary	39,944	64,166

#### (ii) Due from related parties – non trade

Company name	Relationship	2015	2014
Intaj	Associate	40,554	40,554
Kinan	Associate	555	15,196
Other		924	1,427
		42,033	57,177

Also, see Note 10 with respect to long-term receivables from a related party.

#### (iii) Due to related parties

Company name	Relationship	2015	2014
Al Marai	Associate	52,356	48,255
Abdul Kadir Al Muhaidib Company	Shareholder of the Company	18,342	32,015
Hail Agricultural Development Company	Affiliate	12,920	13,153
Herfy	Associate	8,725	2,436
Other		20,206	1,813
		112,549	97,672

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### 21 Related party matters (continued)

#### 21.3 Board of Directors' remuneration

Board of Directors' remuneration for the year ended December 31, 2015 amounting to Saudi Riyals 2.2 million (2014: Saudi Riyals 2.2 million) has been calculated in accordance with the Company's By-laws and is considered as appropriation shown in the statement of changes in shareholders' equity. Attendance allowances and other expenses to the directors and members of various board committees for the year ended December 31, 2015 amounting to Saudi Riyals 4,437 thousand (2014: Saudi Riyals 3,063 thousand) are charged to expenses and included under general and administrative expenses.

### 22 Share capital

At December 31, 2015, the Company's share capital of Saudi Riyals 5.3 billion consists of 533.9 million fully paid shares of Saudi Riyals 10 each (December 31, 2014: Saudi Riyals 5.3 billion consisting of 533.9 million fully paid shares of Saudi Riyals 10 each).

### 23 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

### 24 Fair value reserve

	Note	2015	2014
January 1,		(17,465)	131,992
Fair value adjustment from investment in associates	11.1	27,121	(98,648)
Fair value adjustment from investment in available for sale investments	11.2	(24,807)	(25,093)
Fair value adjustment from derivative financial instruments relating to cash flow hedge	9.1, 15	18,935	(25,716)
December 31,		3,784	(17,465)

### 25 Insurance claim

During June 2013, there was a fire incident in the USC raw sugar warehouse in Jeddah, Saudi Arabia. During the year ended December 31, 2015, USC has reached a full and final settlement with the insurance company at Saudi Riyals 548 million and recorded the excess of insurance claim amount over cost written-off of Saudi Riyals 126.5 million in the consolidated income statement.

### 26 Selling and marketing expenses

	2015	2014
Salaries, wages and benefits	1,314,884	1,014,235
Rent	711,125	515,704
Advertisement	436,078	393,432
Depreciation and amortization	392,263	314,507
Utilities	254,594	157,162
Maintenance	144,175	127,272
Commission	63,065	84,298
Other	142,363	116,882
	3,458,547	2,723,492

## 27 General and administrative expenses

	2015	2014
Salaries, wages and benefits	367,140	412,783
Depreciation and amortization	68,465	66,860
Professional fees	35,007	26,233
Insurance	30,456	27,331
Rent	11,751	11,451
Traveling	11,739	10,938
Training	13,130	13,029
Utilities, telephone and communication cost	6,090	3,382
Supplies and packaging	3,361	3,928
Communication	4,434	4,323
Repairs and maintenance	4,751	2,468
Other	48,829	80,402
	605,153	663,128

## 28 Gain on disposal of investments

	Note	2015	2014
Gain on disposal of investment in an associate	11.1	–	187,505
Gain on disposal of investment in a subsidiary	28.1	265,152	22,195
		265,152	209,700

28.1 Gain on disposal of investment in subsidiary in 2015 relates to disposal of SPS. See Note 4 for details. Gain in 2014 relates to disposal of the Group's subsidiary in Kazakhstan.

## 29 Impairment loss

During 2014, the Company recognized an impairment provision amounting to Saudi Riyals 67.4 million on its available for sale investments and investment in associates. (Note 11).

## 30 Financial charges

	Note	2015	2014
Bank commission		4,783	2,050
Financial charges on Loans	14,15	372,958	379,737
Income from derivatives	9.1	(97,640)	(55,536)
Foreign exchange loss		114,104	29,783
Commission income earned on short-term bank deposits	6	(186,916)	(119,481)
		207,289	236,553

## 31 Hyperinflationary accounting

The Group has operations in Iran and Sudan through its subsidiaries SBeC and Savola Sudan (the entities). As per the information provided by International Monetary Fund (IMF), the cumulative three year inflation rate for Iran and Sudan exceeded 100 percent as of December 31, 2014 and 2013 and this, combined with other indicators, resulted Iran and Sudan being declared as hyperinflationary economies. During December 2015, as per information provided by IMF combined with other indicators Iran ceased to be a hyperinflationary economy as of December 31, 2015. Accordingly, the Group has ceased to apply hyperinflation accounting for Iran. The Group continues to adopt hyperinflationary accounting for Savola Sudan as at December 31, 2015, and has used the closing exchange rate at December 31, 2015 to translate both the income statement and balance sheet of Savola Sudan.

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### 31 Hyperinflationary accounting (continued)

The main implications of the above application are as follows:

- Adjustment of the entities non-monetary assets and liabilities and the various items of equity of the entities from their date of acquisition or inclusion in the Group consolidated balance sheet to the end of year ended December 31, 2014 to reflect the changes in purchasing power of the currency caused by inflation.
- Adjustment of the income statement of the entities to reflect the financial gain/loss caused by the impact of inflation during the year on net monetary liabilities/assets (loss/gain of purchasing power).
- The various components of the financial statements of these entities have been adjusted for the inflation index since their generation.
- The results and financial position of the entities are translated into Saudi Riyals as per the requirements of applicable accounting standard:
  - (i) assets and liabilities for each balance sheet item presented are translated at the closing exchange rate at the date of that balance sheet; and
  - (ii) income and expenses for each income statement are translated at closing exchange rate.

The main effects on the Savola Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the years ended December 31, are as follows:

	2015	2014
Revenue increased by	12,875	169,742
Income from operations decreased by	(50,391)	(35,899)
Total non-current assets (decreased) increased by	(30,594)	11,076
Currency translation differences impacted by	(46,903)	(46,978)

The management applied the consumer price index (CPI), published by the World Bank and the respective Central Banks of the entities to adjust their financial information. The conversion factors used for the CPI adjustment are given below:

	Iran	Sudan
Conversion factor for the period ended September 30, 2015*/December 31, 2015	1.06	1.09
Conversion factor for the year ended December 31, 2014	1.16	1.27

\* The date for cessation of application of hyperinflation for Iran.

The management applied the consumer price index (CPI), published by the World Bank and the respective Central Banks of the entities to adjust their financial information.

### 32 Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2015 amounted to Saudi Riyals 722.8 million (2014: Saudi Riyals 538.4 million). Future rental commitments at December 31, under these operating leases are as follows:

	2015	2014
Within one year	851,550	617,270
Between two and five years	2,462,002	1,841,122
More than five years	5,178,133	5,786,861
	8,491,685	8,245,253



### 33 Earnings per share

Earnings per share for the years ended December 31, 2015 and 2014, have been computed by dividing the operating income and net income attributable to shareholders of the Company for such years by the number of shares outstanding during such years.

### 34 Dividends

The Company's shareholders have approved and paid dividends amounting to Saudi Riyals 1,067.96 million in 2015. The details of interim dividends approved and final dividend proposed by the Board of Directors are as follows:

Date	Dividend rate	Interim/final	Amount Saudi Riyals in million
January 18, 2015	Saudi Riyal 0.50 per share	Final 2014	266.99
April 19, 2015	Saudi Riyal 0.50 per share	Interim 2015	266.99
July 28, 2015	Saudi Riyal 0.50 per share	Interim 2015	266.99
October 19, 2015	Saudi Riyal 0.50 per share	Interim 2015	266.99
			1,067.96
January 20, 2016	Saudi Riyal 0.50 per share	Final 2015 – Proposed	266.99

### 35 Contingencies and commitments

- i) The Group has outstanding bank guarantees and letters of credit amounting to Saudi Riyals 466 million at December 31, 2015 (2014: Saudi Riyals 274.3 million), which were issued in the normal course of business;
- ii) Also see Note 15 with respect to guarantees given for certain loans, Note 17 with respect to zakat contingencies and Note 32 with respect to leases;
- iii) At December 31, 2015, one of the subsidiaries had commitments to sell in 2016 refined sugar of approximately 409,861 MT (2014: 713,297 MT to sell in 2015) at prices, which would approximate the prevailing market prices at the contract date. The raw sugar price of committed sale contracts is hedged through forward contracts and are expected to make in 2016;
- iv) At December 31, 2015, the Group had outstanding commitments of Saudi Riyals 49.6 million (2014: Saudi Riyals 81.1 million) for investments; and
- v) At December 31, 2015, the Group had outstanding capital commitments of Saudi Riyals 518 million (2014: Saudi Riyals 578.7 million).
- vi) The Group is a defendant in various legal claims arising in the normal course of business. Provision has been established for certain claims, based on the information presently available. Management believes that the existing amounts provided for such claims are adequate. Any additional amount that may result in connection with other claims are not expected to have a material effect on the Group's financial position or results of operation.

Savola welcomes your comments and suggestions that may help to enhance the quality of services provided to our shareholders and customers.

You may contact our toll free number 800 244 0204, or visit our website: [www.savola.com](http://www.savola.com).

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