

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the shareholders
Savola Group Company
(A Saudi Joint Stock Company)
Jeddah, Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Savola Group Company (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ('SOCPA').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as endorsed in the Kingdom of Saudi Arabia ("the Code"), as applicable to audits of consolidated financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on March 13, 2025 (corresponding to 13 Ramadan, 1446H).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR’S REPORT - continued

To the shareholders
Savola Group Company
(A Saudi Joint Stock Company)
Jeddah, Saudi Arabia

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of intangible assets and goodwill</p> <p>Intangible assets and goodwill are carried in the consolidated statement of financial position at SR 1.4 billion.</p> <p>IFRS Accounting Standards require that the recoverable amount of intangible assets with indefinite useful lives and goodwill be determined and compared to their carrying amounts, regardless of whether impairment indicators have been identified or not. This required the Group to allocate these items to Cash Generating Units (CGUs). The recoverable amount of intangible assets with finite useful lives are determined only when indicators of impairment have been identified. The recoverable amount is defined as the higher of value in use or fair value less costs to sell.</p> <p>The Group has applied the value in use model, discounting future cash flows of each CGU and compared the result to the carrying amount. Any excess of the carrying amount over the recoverable amount is recognised in profit or loss as an impairment charge. No impairment charge was recognised during the year.</p> <p>Management has engaged an external valuation expert to perform the assessment of the value in use.</p> <p>The value in use model requires management to apply significant judgements and make significant estimates, including cash flow projections, growth rates and discount rates.</p> <p>We identified the determination of the recoverable amount of goodwill and intangible assets as a key audit matter as a result of the level of judgements applied and estimates made by management and the level of audit effort required.</p> <p>Refer to note 8 in the consolidated financial statements for more details relating to this matter.</p>	<p>We performed the following procedures, inter alia, to address the key audit matter:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process adopted by management to determine the recoverable amount of goodwill and intangible assets and identified the key controls in this process. • Assessed the abovementioned controls to determine if they had been appropriately designed and implemented. • Assessed management’s identification of CGUs and the allocation of assets and liabilities to each CGU, including the reconciliation of these items to the accounting records of the Group. • Assessed the methodology used to determine the recoverable amount of each CGU against the requirements of IFRS Accounting Standards. • Tested, on a sample basis, the accuracy and relevance of input data in the models used to determine the recoverable amount of the CGUs by agreeing them to external observable data. • Assessed cash flow projections by comparing them to the Group’s historical results and performance as well as recent trends and market outlook, taking into consideration current market conditions. • Assessed the external valuation expert’s skills, independence, objectivity and qualifications and read their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes. • Engaged our own valuation specialists to assess the value in use calculations and key estimates. • Performed sensitivity analyses on key management assumptions, such as growth and discount rates, to determine at what point an impairment charge would be required. • Assessed the adequacy of disclosures in the consolidated financial statements against the requirements of IFRS Accounting Standards.

INDEPENDENT AUDITOR’S REPORT - continued

To the shareholders
Savola Group Company
(A Saudi Joint Stock Company)
Jeddah, Saudi Arabia

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Inventories</p> <p>Inventories are carried in the consolidated statement of financial position at SR 4.7 billion.</p> <p>Inventories, which primarily consist of merchandise for resale and constitute a large number of individual items, are carried at the lower of cost, which is determined on the weighted average basis, or net realizable value (NRV). The Group has entered into commodity hedging contracts to manage the price risks relating to its purchases of raw sugar. These contracts therefore have an impact on any net realizable value adjustment which is recognized. Management applies the following factors, judgements and estimates to determine the NRV:</p> <ul style="list-style-type: none"> • The nature of the inventory; • The age of the inventory at the reporting date; • Expiry dates in the case of perishable items; • Anticipated future sales based on historical experience; • In the case of raw sugar inventory, the fair market value of raw sugar at the reporting date. <p>We have identified the valuation of inventories as a key audit matter as a result of the following:</p> <ul style="list-style-type: none"> • The quantitative significance of the amount to the consolidated financial statements; • The level of judgements applied and estimates made by management; and • The level of audit effort required. <p>Refer to note 4 in the consolidated financial statements for the accounting policy related to inventories, note 5 for more details on the critical judgements and estimates and note 12 for further disclosure relating to inventories held.</p>	<p>We performed the following procedures, inter alia, to address the key audit matter</p> <ul style="list-style-type: none"> • Obtained an understanding of the process adopted by management to determine the NRV of inventories and identified the key controls in this process; • Assessed the abovementioned controls to determine if they had been appropriately designed and implemented; • Assessed the methodology used to determine NRV; • Attended physical inventory counts at selected locations to identify slow-moving or obsolete inventory items; • For the commodity hedging contracts, we engaged our internal specialist to assess, on a sample basis, the hedging relationships, to test the effectiveness of the hedge and to evaluate the methods used to determine the valuation of these hedges; • Tested the NRV of inventories, on a sample basis by verifying the subsequent sales invoices to confirm the selling prices and ensure the NRV was appropriately stated; • Evaluated the judgements applied and estimates made by management to determine the NRV of inventories by inspecting, on a sample basis, subsequent sales invoices to determine if the selling price exceeded the cost of the inventories; • Assessed the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT - continued

To the shareholders
Savola Group Company
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Other Information included in the Group's 2025 annual report

Management is responsible for the other information. The other information consist of the information included in the Group's 2025 annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Group's 2025 annual report If, we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged with Governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Companies Law and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT - continued

To the shareholders
Savola Group Company
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Jeddah, Saudi Arabia

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT - continued

To the shareholders
Savola Group Company
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Jeddah, Saudi Arabia

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

For the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte and Touche & Co.
Chartered Accountants



Tariq Bin Mohammad Al Fattani
Certified Public Accountant
License No. 446



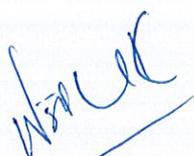
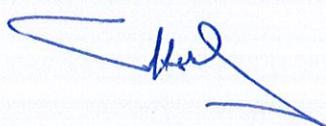
19 Ramadan, 1447H
March 8, 2026

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2025	2024
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,486,067	5,438,447
Right-of-use assets	7	3,416,863	3,058,060
Intangible assets and goodwill	8	1,408,747	1,399,693
Investment property	9	158,234	151,796
Equity-accounted investee	10	435,517	409,097
Investments	11	676,359	108,271
Deferred tax asset	26	2,628	25,308
Other non-current assets		21,939	17,845
Total non-current assets		11,606,354	10,608,517
Current assets			
Inventories	12	4,680,559	4,171,221
Trade receivables	13	1,856,697	1,956,952
Prepayments and other receivables	14	1,346,504	1,637,689
Investments	11	85,802	784,535
Cash and cash equivalents	15	904,137	2,235,328
Total current assets		8,873,699	10,785,725
TOTAL ASSETS		20,480,053	21,394,242
EQUITY			
Share capital	16	3,000,000	3,000,000
Share premium		342,974	342,974
Shares held under employees' share based payment plan		(86,666)	(37,459)
General reserve		4,000	4,000
Other reserves	18	(170,156)	(67,894)
Effect of transactions with non-controlling interests without change in control		(39,772)	(39,772)
Foreign currency translation reserve		(1,238,868)	(1,388,896)
Retained earnings		3,704,515	2,807,377
Equity attributable to owners of the Company		5,516,027	4,620,330
Non-controlling interests	20	950,039	948,307
TOTAL EQUITY		6,466,066	5,568,637
LIABILITIES			
Non-current liabilities			
Loans and borrowings	21	-	29,435
Lease liabilities	23	3,446,083	3,166,786
Employee benefits liabilities	24	748,401	754,969
Provision against asset restoration	25	164,946	157,409
Deferred tax liability	26	110,893	116,564
Total Non-current liabilities		4,470,323	4,225,163

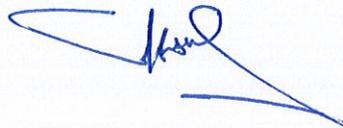




The notes from 1 to 46 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2025	2024
Current liabilities			
Loans and borrowings	21	1,893,924	3,374,142
Trade payables		3,915,807	3,679,328
Accrued and other liabilities	27	2,829,405	3,127,984
Lease liabilities	23	506,148	426,311
Put liability	1	-	343,328
Contract liabilities	28	151,990	139,401
Accrued income tax	29	134,125	106,080
Accrued zakat	29	112,265	403,868
Total current liabilities		9,543,664	11,600,442
TOTAL LIABILITIES		14,013,987	15,825,605
TOTAL EQUITY AND LIABILITIES		20,480,053	21,394,242

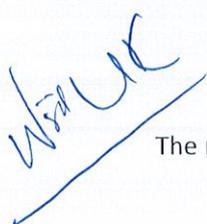


SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2025	2024
Continuing Operations			
Revenues	34	26,081,053	23,045,574
Cost of revenues	35	(20,992,159)	(18,212,904)
Gross profit		5,088,894	4,832,670
Share of results in equity-accounted investees, net of zakat and tax	10.1	51,775	808,635
Selling and distribution expenses	36	(3,199,605)	(2,970,149)
Administrative expenses	37	(820,208)	(901,723)
Impairment charge, net	40	(24,640)	(386,404)
Net impairment (loss) / reversal on financial assets	13	(50,815)	1,494
Other operating income, net	38	91,832	1,040
Results from operating activities		1,137,233	1,385,563
Finance income		205,247	128,506
Finance costs		(480,772)	(993,051)
Net finance costs	41	(275,525)	(864,545)
Gain on distribution of investment in equity-accounted investee	16	-	11,554,662
Loss on derecognition of investment in equity-accounted investee	1	-	(139,001)
Profit before zakat and income tax		861,708	11,936,679
Income tax expense	29	(131,049)	(231,115)
Zakat reversal / (expense), net	29	217,425	(350,010)
Profit for the year from continuing operations		948,084	11,355,554
Loss from discontinued operations	22	(7,585)	(1,440,202)
Profit for the year		940,499	9,915,352
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of the defined benefit liability	24	18,994	62,891
Investments at fair value through other comprehensive income – net change in fair value	11	(78,328)	1,911
Equity accounted investees - share of other comprehensive income	10.1	(239)	(19,806)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Release of foreign currency translation differences on disposal of subsidiaries	22	81,437	1,563,014
Equity accounted investees – share of foreign currency translation differences reclassified to profit or loss		-	(11,907)
Release of reserve – equity accounted investee		-	3,200
Foreign operations – foreign currency translation differences		76,868	(613,642)
Investment in equity-accounted investees - share of other comprehensive income	10	-	(89,086)
Equity-accounted investees - share of other comprehensive loss reclassified to profit or loss	18	-	367,101
Cash flow hedges – effective portion of changes in fair value		(6,462)	23,872
Other comprehensive income for the year		92,270	1,287,548
Total comprehensive income for the year		1,032,769	11,202,900





The notes from 1 to 46 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2025	2024
Profit / (loss) attributable to:			
Owners of the Company		874,462	9,974,266
Non-controlling interests		66,037	(58,914)
Profit for the year		940,499	9,915,352
Profit / (loss) attributable to owners of the Company from:			
Continuing operations		881,665	11,357,280
Discontinued operations		(7,203)	(1,383,014)
		874,462	9,974,266
Total comprehensive income / (loss) attributable to:			
Owners of the Company		955,162	11,271,637
Non-controlling interests		77,607	(68,737)
Total comprehensive income for the year		1,032,769	11,202,900
Total comprehensive income attributable to owners of the Company:			
Continuing operations		883,171	11,349,349
Discontinued operations		71,991	(77,712)
		955,162	11,271,637
Earnings per share attributable to the Owners of the Company from continuing operations (in Saudi Riyals)			
Basic	31	2.95	12.08
Diluted	31	2.94	12.06
Earnings per share attributable to the Owners of the Company (in Saudi Riyals)			
Basic	31	2.93	10.61
Diluted	31	2.92	10.59

The notes from 1 to 46 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Shareholders of the Company										
	Share capital	Share premium	Shares held under employees' share based payment plan	General reserve	Other reserves	Effect of transactions with non-controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2025	3,000,000	342,974	(37,459)	4,000	(67,894)	(39,772)	(1,388,896)	2,807,377	4,620,330	948,307	5,568,637
Total comprehensive income								874,462	874,462	66,037	940,499
Profit for the year	-	-	-	-	-	-	-	874,462	874,462	66,037	940,499
Other comprehensive income / (loss)	-	-	-	-	(82,424)	-	150,028	13,096	80,700	11,570	92,270
	-	-	-	-	(82,424)	-	150,028	887,558	955,162	77,607	1,032,769
Charge for equity-settled employees' share based payment plan (Note 18)	-	-	-	-	8,804	-	-	-	8,804	-	8,804
Acquisition of non-controlling interest (Note 1)	-	-	-	-	-	-	-	-	-	(3,383)	(3,383)
Purchase of shares held under employees' share based payment plan (Note 19)	-	-	(70,000)	-	-	-	-	-	(70,000)	-	(70,000)
Settlement of Treasury shares (Note 18)	-	-	20,793	-	(28,642)	-	-	9,580	1,731	-	1,731
Dividends	-	-	-	-	-	-	-	-	-	(72,492)	(72,492)
December 31, 2025	3,000,000	342,974	(86,666)	4,000	(170,156)	(39,772)	(1,238,868)	3,704,515	5,516,027	950,039	6,466,066

The notes from 1 to 46 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company											
	Share capital	Share premium	Shares held under employees' share based payment plan	Statutory reserve	General reserve	Other reserves	Effect of transactions with non-controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2024	5,339,807	342,974	(120,774)	1,774,085	4,000	(456,513)	(275,117)	(2,354,758)	4,143,441	8,397,145	1,126,949	9,524,094
<u>Total comprehensive income / (loss) for the year</u>												
Profit / (loss) for the year	-	-	-	-	-	-	-	-	9,974,266	9,974,266	(58,914)	9,915,352
Other comprehensive income / (loss)	-	-	-	-	-	277,759	-	965,862	53,750	1,297,371	(9,823)	1,287,548
	-	-	-	-	-	277,759	-	965,862	10,028,016	11,271,637	(68,737)	11,202,900
Charge for equity-settled employees' share based payment plan (Note 18)	-	-	-	-	-	36,304	-	-	-	36,304	52	36,356
Issue of new shares via right issue (Note 16)	6,000,000	-	(33,348)	-	-	-	-	-	-	5,966,652	-	5,966,652
Transaction cost related to right issue, capital reduction and distribution (Note 16)	-	-	-	-	-	-	-	-	(47,691)	(47,691)	-	(47,691)
Capital Reduction (Note 16)	(8,339,807)	-	104,138	-	-	-	-	-	-	(8,235,669)	-	(8,235,669)
Impact of Capital reduction on share-based payment reserves (Note 19)	-	-	-	-	-	(17,882)	-	-	6,495	(11,387)	-	(11,387)
Transfer on derecognition of equity accounted investees (Note 18)	-	-	-	-	-	104,963	-	-	(104,963)	-	-	-
Transfer on disposal of subsidiary (Note 22)	-	-	-	-	-	-	238,979	-	(238,979)	-	-	-
Dividends distribution in-kind (Note 16)	-	-	-	-	-	-	-	-	(12,753,027)	(12,753,027)	(53,016)	(12,806,043)
Derecognition of non-controlling interest (Note 22)	-	-	-	-	-	-	-	-	-	-	(89,933)	(89,933)
Settlement of Treasury shares (Note 18)	-	-	12,525	-	-	(12,525)	-	-	-	-	-	-
Acquisition of subsidiary (Note 1)	-	-	-	-	-	-	(3,634)	-	-	(3,634)	32,992	29,358
Transfer from statutory reserve to retained earnings (Note 17)	-	-	-	(1,774,085)	-	-	-	-	1,774,085	-	-	-
December 31, 2024	3,000,000	342,974	(37,459)	-	4,000	(67,894)	(39,772)	(1,388,896)	2,807,377	4,620,330	948,307	5,568,637

The notes from 1 to 46 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Notes	2025	2024
Cash flows from operating activities			
Profit for the year		940,499	9,915,352
Adjustments for:			
Depreciation and amortisation		1,198,359	1,154,964
Net finance cost	22 & 41	423,753	1,030,227
Share of results in equity-accounted investees, net of zakat and tax	10.1	(51,775)	(808,635)
Share based payment expense	18	8,804	36,356
Impairment charge, net	40	24,640	390,409
Loss on sale / write-off of property, plant and equipment and software		30,313	895
Gain on distribution of investment in equity-accounted investee	16	-	(11,554,662)
Loss on derecognition of investment in equity-accounted investee	1	-	139,001
(Gain) / loss on derecognition of subsidiaries	22	(33,958)	1,422,268
Loss on FVTPL investments	38	4,764	18,496
Net impairment loss on financial assets	13	51,755	1,987
Provision for employee benefits liability	24	110,541	111,776
Zakat (reversal) / expense, net	29	(217,425)	350,010
Income tax expense	29	117,005	252,604
		<u>2,607,275</u>	<u>2,461,048</u>
Changes in:			
Inventories		(546,134)	(330,979)
Trade receivables		(59,465)	(672,982)
Prepayments and other receivables		77,157	(201,103)
Trade payables		268,378	532,126
Accrued and other liabilities		(422,649)	582,577
Cash generated from operating activities		<u>1,924,562</u>	<u>2,370,687</u>
Finance cost paid on loans and borrowings	21.2	(369,320)	(768,056)
Finance cost paid on lease liabilities	23	(196,555)	(178,404)
Zakat and income tax paid	29	(192,623)	(202,347)
Employee benefits liabilities paid	24	(97,410)	(81,987)
Net cash generated from operating activities		<u>1,068,654</u>	<u>1,139,893</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(800,529)	(733,345)
Acquisition of intangible assets	8	(57,971)	(41,034)
Purchase of Government Sukuks	11.5	(523,858)	-
Proceeds from sale of property, plant and equipment		58,020	136,304
Additions in investment in associate	10	-	(59,965)
Acquisition of subsidiary	1	-	173,065
Acquisition of non-controlling interest	1	(25,010)	-
Finance income from bank deposits		145,677	132,548
Cash outflow due to derecognition of subsidiary	22	(29,265)	(452,165)
Proceeds from disposal of subsidiary	22	473,587	231,413
Dividend received from equity accounted investment	10	25,116	368,540
Dividend received from FVOCI investment		2,126	-
Term deposits placed		(1,465,747)	(1,385,315)
Term deposits redeemed		1,959,191	1,193,861
Net cash used in investing activities		<u>(238,663)</u>	<u>(436,093)</u>

The notes from 1 to 46 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2025	2024
Cash flows from financing activities			
Proceeds from long-term loans and borrowings	21	-	976,535
Repayments of long-term loans and borrowings	21	(260,487)	(5,782,930)
Net change in short term loans and borrowings		(984,180)	136,566
Right issue proceeds	16	-	6,000,000
Transaction cost related to right issue, capital reduction and distribution		-	(47,691)
Payment against put liability	1	(270,909)	(64,842)
Payment of lease liabilities – Principal	23	(529,588)	(482,171)
Dividends paid to the owners of the Company		(3,415)	(2,533)
Dividends paid to non-controlling interests		(72,492)	(53,016)
Purchase of shares held under employees' share based payment plan	19	(70,000)	(33,348)
Net cash (used in) / generated from financing activities		(2,191,071)	646,570
Net change in cash and cash equivalents		(1,361,080)	1,350,370
Effect of movement in exchange rates on cash and cash equivalents		55,813	(334,865)
Cash and cash equivalents at the beginning of the year		2,147,964	1,132,459
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	842,697	2,147,964

The notes from 1 to 46 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION

Savola Group 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 June 16, 1979). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree No. M/21 dated Rabi Al Awal 29, 1398H (March 9, 1978).

The Company's registered office is located at the following address:

Savola Tower,
The Headquarter Business Park,
Prince Faisal Bin Fahad Street,
Jeddah 23511-7333, Kingdom of Saudi Arabia.

These accompanying consolidated financial statements comprise the financial statements of Savola Group Company (the "Company" (or) the "Parent Company") and its local and foreign subsidiaries (collectively referred as the "Group"), involved in the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, fast foods, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

As of December 31, 2025, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
Savola Foods Company ("SFC") (Note 1 (II))	Saudi Arabia	Holding company	100	100
Panda Retail Company ("Panda") (Note 1 (III))	Saudi Arabia	Retail	100	100
Good Food Company ("GFC") (Note 1 (IV))	Saudi Arabia	Holding company	100	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	80	80
Herfy Food Services Company ("Herfy")	Saudi Arabia	Restaurant & manufacturing bakery products	49	49

The Group considers that it controls Herfy even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Herfy with a 49% equity interest. The remaining 51% of the equity shares in Herfy are widely held by many other shareholders. The Group has the right and power to direct the relevant activities of Herfy as it has the significant majority of equity interests and there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

(I) Direct subsidiaries of the Company (continued)

ii) Holding and Dormant subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
Adeem Arabia Company (Adeem)	Saudi Arabia	Holding company	100	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	100	100
Al Matana Holding Company	Saudi Arabia	Holding company	100	100
Madarek Investment Company	Jordan	Holding company	100	100
United Properties Development Company	Saudi Arabia	Dormant company	100	100

Subsidiaries controlled through Al Matana Holding Company:

SGC Ventures Limited	Cayman Islands	Holding company	100	100
SGC Marketplace Venture	Cayman Islands	Holding company	100	100
SGC Agritech Ventures	Cayman Islands	Holding company	100	100

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2024: 100%) ownership interest in Savola Foods Company ("SFC"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated Dhul Qadah 21, 1435H (September 16, 2014). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on Rajab 5,1429H (July 8, 2008). During the year, SFC has been converted to a simplified joint stock company.

The principal objective of SFC is to deal in wholesale and retail trading of food items. SFC through its direct and indirect subsidiaries is engaged in the manufacturing, processing, marketing and distribution of products including edible oil, pasta, sugar, spices, nuts, pulses, seafood, confectionery, and agro cultivation, in the local and overseas market.

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	95.19	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	100	100
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	100	100

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

(II) Savola Foods Company (continued)

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
International Foods Industries Company (“IFI”)	Saudi Arabia	Manufacturing of specialty fats	100	100
Snacking and Ingredients Food Holding Company Limited (“SIFCO”)	UAE	Holding Company	100	100
Commodities Sourcing Company for Trading	Saudi Arabia	Trading Company	100	100
Seafood International Two FZCO	UAE	Seafood products trading and distribution	100	100
Savola Industrial Sustainable Development Company	Saudi Arabia	Renewable energy	100	100
Savola Foods Emerging Markets Company Limited	British Virgin Islands (BVI)	Holding company	95.43	95.43
Savola Foods for Sugar Company (Liquidated)	Cayman Islands	Dormant company	-	95
Seafood International Holdco	Cayman Islands	Holding company	100	100
Al Maoun International Holding Company	Saudi Arabia	Holding company	100	100
Marasina International Real Estate Investment Limited	Saudi Arabia	Holding company	100	100
Afia Arabia for Foods	Saudi Arabia	Holding company	100	100

a) Subsidiaries controlled through Afia International Company:

KUGU Gida Yatım Ve Ticaret A.S (“KUGU”) (Note 22)	Turkey	Holding company	-	100
Savola Foods Limited (“SFL”)	BVI	Holding company	100	100
Inveskz Inc. (Liquidated)	BVI	Dormant company	-	90
Aseel Food – Hold Co.	Cayman Islands	Holding company	100	100
Afia Trading International (Liquidated)	BVI	Dormant company	-	100
Savola Foods International (Liquidated)	BVI	Dormant company	-	100
SFL Afia International Company, Egypt (“AICE”)	Egypt	Manufacturing of edible oils	99.95	99.95
AICE Savola For Export and Import	Egypt	Trading and distribution	49	49
KUGU Savola Gıda Sanayi Ve Ticaret Anonim Şirketi (Note 22)	Turkey	Manufacturing of edible oils	-	100

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

(II) Savola Foods Company (continued)

b) Subsidiaries controlled through Savola Industrial Investment Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	74.48	74.48
USC				
United Sugar Company ("USCE")*	Egypt	Manufacturing of sugar	56.76	39.73
Alexandria Sugar Company, Egypt ("ASCE")**	Egypt	Manufacturing of sugar	62.13	62.13
Beet Sugar Industries (Liquidated)	Cayman Islands	Dormant company	-	100
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	100	100
c) Subsidiaries controlled through Snacking and Ingredients Food Holding Company Limited:				
Bayara Holding Limited	Cayman Islands	Holding company	100	100
Bayara FZE Limited	UAE	Holding Company	100	100
Savola Snacks	Egypt	Manufacturing of snacks	99	99
d) Subsidiaries controlled through Seafood International Two FZCO				
Seafood International One FZCO*** (under liquidation)	UAE	Seafood products distribution	80	80
e) Subsidiaries controlled through Savola Foods Emerging Markets Company Limited:				
Afia International Company – Algeria	Algeria	Manufacturing of edible oils	100	100
f) Subsidiaries controlled through Al Maoun and Marasina				
Alofog Trading DMMC	UAE	Trading and distribution	100	100

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

(II) Savola Foods Company (continued)

g) Subsidiaries controlled through Bayara Holding Limited

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
Kandoo Worldwide Limited	BVI	Managing trademarks	100	100

h) Subsidiaries controlled through Bayara FZE

GYMA Food Industries LLC	UAE	Processing of spices, nuts and pulses	100	100
Bayara Saudi Arabia Limited Group	Saudi Arabia	Processing of spices, nuts and pulses	100	100
GYMA Trading LLC	UAE	Trading of spices, nuts and pulses	100	100

*On December 31, 2024, the Group increased its shareholding in USCE to 39.73% through a payment of SR 59.9 million to EBRD enabling it to control the relevant activities of USCE in accordance with IFRS 10 – Consolidated Financial Statements, resulting in a business combination achieved in stages under IFRS 3 – Business Combinations.

The Group re – measured its previously held equity interest in USCE at fair value as of the acquisition date, with resulting loss on derecognition of associate amounting to SR 139 million recognized in the consolidated statement of profit or loss.

During the year, the Group settled the put liability, amounting to SR 343.3 million, which entitled European Bank for Development and Reconstruction (EBRD) to sell its shares in United Sugar Company Egypt (USCE) to the former shareholders at an agreed price. The settlement includes a payment of SR 270.9 million in respect of the settlement put liability and SR 25 million relating to the acquisition of non-controlling interest.

Following the settlement, the Group derecognised the put liability and the related non-controlling interest at their respective carrying amounts. The difference between the consideration paid, the carrying value of the put option liability, and the non-controlling interest, has been recognised under Finance Income, amounting to SR 40.2 million. (Gross amount SR 49.7 million)

**The Group's effective ownership interest in ASCE is 76.9% (December 31, 2024: 73.4%).

*** The Group's effective ownership interest in Seafood International One FZCO is 100% (December 31, 2024: 100%).

SAVOLA GROUP COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

(III) Panda Retail Company

The Parent Company has a 100% (December 31, 2024: 100%) ownership interest in Panda Retail Company (“Panda”), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated Rajab 22, 1431H (July 3, 2010). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on Rabi-ul-Awal 1, 1416H (July 28, 1995).

Panda together with its subsidiaries is principally engaged in wholesale and retail trading in food supplies and consumable materials. Panda Group operates through its network of hypermarkets and supermarkets.

Subsidiaries controlled through Panda:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
Giant Stores Trading Company	Saudi Arabia	Retail	100	100
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	100	100
Panda International for Retail Trading	Egypt	Retail	100	100
Atabet Al Bab Communications and Information Technology LLC (under liquidation)	Saudi Arabia	E-commerce	100	100
Panda Bakeries Company (liquidated)	Saudi Arabia	Dormant company	-	100
Giant Stores Trading Company				
Lebanese Sweets and Bakeries (liquidated)	Saudi Arabia	Dormant company	-	95

(IV) Good Food Company

The Parent Company has a 100% (December 31, 2024: 100%) ownership interest in Good Food Company (“GFC”), which was incorporated as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030603674 issued in Jeddah on Rabi-ul-Thani 21, 1439H (January 8, 2018).

GFC through its direct and indirect subsidiaries is principally engaged in the processing, wholesale, retail and distribution of frozen food and seafood in the local and overseas markets.

SAVOLA GROUP COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

(IV) Good Food Company (continued)

Subsidiaries controlled through GFC (collectively referred to as "Al Kabeer Group of companies"):

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2025	December 31, 2024
Variety Food Factory Company	Saudi Arabia	Manufacturing of frozen food	51	51
Al Ahsan Trading Company	Saudi Arabia	Trading and distribution	51	51
Al Helal Imports and Exports Company	Bahrain	Trading and distribution	51	51
Al Kabeer Holding Limited	UAE	Holding Company	51	51
Subsidiaries controlled through Al Kabeer Holding Limited				
Sahar Enterprises Company	UAE	Trading and distribution	100	100
Sahar Food Industry Company	UAE	Manufacturing of frozen food	100	100
Best Foodstuff Trading Company	UAE	Trading and distribution	100	100
Cascade Investments Limited (CIL)	UAE	Investment company	100	100
Cascade Marine Foods Company	UAE	Manufacturing frozen food	100	100
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	100	100
Best Foods Company	Oman	Trading and distribution	100	100

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended standards that are effective for the current period

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

New and revised IFRS Accounting Standards	Summary
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> relating to Lack of Exchangeability	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Other than the above, there are no other significant IFRS Accounting Standards and amendments that were effective for the first time for the financial year beginning on or after 1 January 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 New and revised standards in issue but not yet effective and not early adopted

The following new standards are effective for annual periods beginning on or after January 01, 2026 (unless otherwise stated) and earlier application is permitted. However, at the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised standards that have been issued but are not yet effective:

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
<p>Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures</p> <p>Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.</p> <p>The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.</p>	January 1, 2026
<p>IFRS 18 - Presentation and Disclosures in Financial Statements replaces IAS 1 – Presentation of Financial Statements (IAS 1), carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 - Earnings per Share.</p>	January 1, 2027
<p>IFRS 19 Subsidiaries without Public Accountability: Disclosures</p> <p>IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.</p>	January 1, 2027
<p>Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</p> <p>Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.</p>	Effective date deferred indefinitely

The management is in the process of assessing the potential financial impact of the application of the above-mentioned standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

3.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively referred as "IFRS Accounting Standards" or "IFRS") that are endorsed in KSA and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ('SOCPA') in KSA.

3.2 Basis of preparation.

These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for investments classified as fair value through other comprehensive income ("FVOCI"), investments classified as fair value through profit or loss ("FVTPL"), firm commitments and inventory under fair value hedging relationship, derivative financial instruments and employee benefits which are recognised at the present value of future obligation using the Projected Unit Credit Method. Certain comparative amounts have been reclassified to conform to the current year's presentation and accounting requirements. The significant reclassifications pertain to the impact of discontinued operations (Note 22).

3.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ('SR') and all values are rounded to the nearest thousands, except when otherwise indicated. Saudi Arabian Riyals is also the Group's functional and presentation currency.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company made up to 31 December each year. Control is achieved when the Parent Company:

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.1 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

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

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of noncontrolling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent entity and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the parent entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

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

4.2 Share based payment arrangements

Equity-settled share-based payment

The grant-date fair value of equity-settled share-based payment plan granted to employees is recognised as an expense on a straight-line basis in the statement of profit or loss, with a corresponding increase in equity as 'Other reserves', over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.2 Share based payment arrangements (continued)

Cash-settled share-based payment

The fair value of the amount payable to employees in respect of cash-settled share-based payment arrangement is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the award. Any changes in the liability are recognised in profit or loss.

4.3 Current versus non – current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is classified as current when:

- It is expected to be realized or intended to sell or consumed in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is expected to be realized within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

4.4 Foreign currencies

In preparing the financial statements of the entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.5 Hyperinflationary Economics

When the economy of a country in which the Group operates is deemed hyperinflationary and the functional currency of a Group entity is the local 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 currency 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 statement of financial position, such as property, plant and equipment and inventories, to reflect current purchasing power as at the year-end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position is included in 'other operating income / (expense), net' for the year. 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. For the purpose of consolidation of foreign components operating in hyperinflation economies; items of statements of financial position and profit or loss are translated at the closing rate.

4.6 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.6 Business combination (continued)

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in an acquired entity that is an associate or a joint venture, or a joint operation that constitutes a business, is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.6 Business combination (continued)

Equity-accounted investees

The Group's interests in equity accounted investees comprise of interests in associates and joint ventures.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method (equity-accounted investees). They are initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the investment carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the underlying assets / liabilities to the extent of the Group's interest in the investee.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising on equity accounted investees are recognized in the profit or loss.

4.7 Intangible assets

Intangible assets, other than goodwill and brand, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment loss.

The estimated useful lives of assets for current and comparative year is as follow:

	<u>Years</u>
Software	3 – 10
Customer List	12 – 18
Distribution Network	12 – 15

Brand is initially measured at cost. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group and is therefore considered to have an indefinite useful life.

Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.7 Intangible assets (continued)

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Intangible assets acquired by the Group that have indefinite useful lives are measured at cost less accumulated impairment loss. The useful life of such assets is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. These are reviewed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

4.8 Property, Plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized, on net basis, in statement of profit or loss and other comprehensive income.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Property, Plant and equipment (continued)

The estimated useful lives of assets for current and comparative year is as follow:

	<u>Years</u>
Buildings	5 - 50
Leasehold improvements	3 - 33
Plant and equipment	3 – 40
Furniture and office equipment	1 – 10
Vehicles	2 - 15

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of property, plant and equipment, please refer to policy on impairment of non-financial assets note 4.11.

4.9 Construction work in progress.

Construction work-in-progress (“CWIP”) represents all costs relating directly to the ongoing projects in progress and is capitalized as property and equipment, when the project is completed. CWIP is carried at cost, less any recognised impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of these assets, on the same basis as other same class of assets, commences when the assets are available for their intended use.

4.10 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment property is depreciated on a straight-line basis over the estimated useful life of the respective assets. No depreciation is charged on land and construction work-in-progress.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition.

Transfers are made from investment properties to development properties only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. No depreciation is charged on land and capital work-in-progress.

The estimated useful lives for the current and comparative periods are as follows:

	<u>Years</u>
Buildings	15-50

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.11 Impairment of tangible and intangible assets (excluding goodwill)

The carrying amounts of the Group's tangible and intangible assets, are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Impairment exists when the carrying value of an asset or CGU exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a Discounted Cash Flow ("DCF") model, whereby the future estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The group assesses whether a contract is, or contains, a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.12 Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the group and the lease does not benefit from a guarantee from the group.

Lease payments included in the measurement of the lease liability comprise :

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.12 Leases (continued)

The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the rightof-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value (USD 5,000 or less). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.13 Financial instruments

Financial assets and financial liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

By default, all other financial assets are measured subsequently at FVTPL. Despite the foregoing, the group may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below)
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the 'finance income'.

(ii) Equity instruments designated as at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

ii) Equity instruments designated as at FVOCI (continued)

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and other reserves - financial assets at FVOCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other operating income / (expense), net' line item in profit or loss. The group designated all investments in equity instruments that are not held for trading as at FVOCI on initial recognition.

A financial asset is held for trading if either:

- it has been acquired principally for the purpose of selling it in the near term
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has evidence of a recent actual pattern of short-term profit-taking
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI (see (i) to (ii) above) are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVOCI on initial recognition (see (ii) above)
- debt instruments that do not meet the amortised cost criteria or the FVOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Other operating income / (expense), net' line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk IFRS

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk IFRS (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is overdue unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

Impairment of financial assets (continued)

iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in other reserves, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in other reserves is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the other reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

- it has been acquired principally for the purpose of repurchasing it in the near term
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

Financial liabilities at FVTPL (continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other operating income / (expense), net' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not

- (i) contingent consideration of an acquirer in a business combination,
- (ii) held-for-trading, or
- (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above)
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Finance cost' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

Foreign exchange gains and losses (continued)

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses

Derivative financial instrument and Hedge accounting

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below:

Cash flow hedge

When a derivative financial instruments is designated as a cash flow hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability i.e. a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss within "other operating income / (expense), net".

Amounts accumulated in equity are reclassified to gain or loss in the periods when the hedged item affects gain 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 statement of profit or loss. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (for example, inventory), the amounts accumulated in equity are transferred from the equity and included in the initial measurement of the cost. The accumulated amounts are ultimately recognised in cost of revenues for inventory.

When a hedging instrument expires, is terminated, is sold or is exercised, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. When the hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the equity remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. 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 statement of profit or loss within "other operating income / (expense), net".

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Financial instruments (continued)

Fair value hedge

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the profit or loss, 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 statement profit or loss with a corresponding adjustment to the inventory account as non-financial hedged item, subsequently upon sale of inventory the gain or loss is recognised in "cost of revenue". The gain or loss relating to the ineffective portion is recognised in the consolidated statement of profit or loss within "other operating income / (expense), net".

4.14 Assets classified as held-for-sale and discontinued operations

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

The Management is committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, employees' benefit assets, or investment properties which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held-for-sale, assets are not depreciated or amortised.

Assets classified as held-for-sale are presented separately as current items in the consolidated statement of financial position.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the activities of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.14 Assets classified as held-for-sale and discontinued operations (continued)

Classification as a discontinued operation occurs on disposal or abandonment or when the operation meets the criteria to be classified as held-for-sale, if earlier.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as Loss from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative year.

4.15 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. In case of retail business, cost of inventory is net of rebates and commercial income which is based on the contractual terms specified in the agreements with suppliers.

Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Further, inventory may also include gain and losses transferred from marked to market of firm commitment due to fair value hedge accounting and fair valuation impact of inventory price risk being hedged under fair value hedge.

Net realizable value comprises estimated selling price in the ordinary course of business, less any additional production costs for completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete and defective stocks.

4.16 Cash and cash equivalents

Cash and cash equivalents balances comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

4.17 Segment Reporting

An operating segment is a component:

- i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- ii) the results of its operations are continuously analysed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
- iii) for which financial information is discretely available.

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Segment results that are reported to the chief operating decision maker and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. For further details of reportable operating segments of Group please refer to Note 33.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.18 Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows using applicable rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Group records provision for decommissioning costs of manufacturing facility and restoration of leasehold improvements. Such costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a rate that reflects the current market assessments of the time value of money and risks specific to the related liability. The unwinding of the discount is expensed as incurred and recognized in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

4.19 Employee benefits obligation

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return of the services in the current and prior periods. The benefits are discounted to determine its present value and any unrecognised past service cost.

The discount rate used is the market yield on government bonds at the reporting date that has maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Group's present value of the obligation, with actuarial valuations to be carried out every year. Defined benefits liability comprises of the following:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense/income; and
- Remeasurement gains/(losses).

The Group recognises and presents the first two components of the defined benefit costs in profit or loss. Gains/(losses) due to re-measurement of employee benefits liabilities are recognised in other comprehensive income immediately. Curtailment gains/(losses) are accounted for as past service cost in the profit or loss in the period of plan amendment.

The Group entities in KSA are also required to contribute towards a state-owned benefit plan, General Organization for Social Insurance ("GOSI"), where the Group's obligation under the plan is to make specified monthly contribution based on specified percentage of payroll cost as stipulated under the regulation. These contributions are recognised as an expense when employees have rendered the service entitling them to the contributions. Any unpaid amounts are classified as accruals.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.19 Employee benefits obligation (continued)

Shares held under employees' share based payment plan

Own equity instruments that are reacquired, for discharging obligations under Employees Long Term Incentive Program ("Plan"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in Equity.

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.20 Zakat and taxes

The Parent Company and its subsidiaries are subject to zakat and income tax in accordance with the regulations of The Zakat, Tax and Customs Authority ("ZATCA") (previously known as General Authority of Zakat and Income Tax). Company's zakat and its share in zakat of subsidiaries are charged to the consolidated statement of profit or loss and other comprehensive income. Zakat and income tax attributable to other Saudi and foreign shareholders of the consolidated subsidiaries are charged to non-controlling interest in the accompanying consolidated statement of financial position. Additional zakat and income tax liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the assessments are finalized. The Company and its Saudi Arabian subsidiaries withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations. Foreign subsidiaries are subject to zakat and income taxes in their respective countries of domicile. Such zakat and income taxes are charged to consolidated statement of profit or loss under zakat and income tax expense.

Deferred tax is provided for, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Current and deferred tax assets and liabilities are offset only if certain criteria are met.

4.21 Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of Value Added Tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.22 Trade payable, accrued and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods/services when risks and rewards attributable to goods are transferred to the Group or services are received, whether or not billed to the Group.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4.23 Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4.24 Revenue recognition

The Group recognises revenue when or as a performance obligation is satisfied. i.e. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer. Revenue is recognized to the extent that it is probable that any future economic benefit associated with the item of revenue will flow to the Group, the revenue can be reliably measured, regardless of when the payment is being made and the costs are identifiable and can be measured reliably.

The Group has applied IFRS 15 Revenue from contracts with customers for accounting of revenue. The core principle of the IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in almost all of its revenue arrangements.

The Group's recognition of revenue is as follows:

Sale of goods

Revenue from sale of goods is recognised in the statement of profit or loss when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.24 Revenue recognition (continued)

Significant financing component

The Group evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Group adjusts the committed amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Rental income

The Group leases out various shops situated within its supermarkets and hypermarkets under operating lease agreements. Rental income is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

4.25 Finance income

Finance income is recognized as it accrues in profit or loss, using the effective interest method.

4.26 Dividend income

Dividend income from financial instruments is recognised in the profit or loss on the date the Group's right to receive payment is established.

4.27 Other income

Other income that are incidental to the Group's business model are recognised as income as they are earned or accrued. This consists of profit on disposal of items of property, plant and equipment, scrap sales, insurance claims, fair value gain on short term investments designated at FVTPL, etc.

4.28 Expenses

Cost of sales represents all expenses directly attributable or incidental to the core operating activities of the Group.

Selling and distribution expenses principally comprise costs incurred in the distribution and sale of the Group's products.

All other expenses are classified as general and administrative expenses. Allocations between cost of sales, general and administrative expenses and selling and distribution expenses, when required, are made on a consistent basis.

4.29 Finance costs

Finance costs comprise of financial charges on borrowings including sukuks and unwinding of the discount on provisions and losses on derivative instruments that are recognized in consolidated statement of profit or loss and other comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis within finance cost.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.30 Dividend

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

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

Dividends include distribution of non-cash assets to owners as in-kind dividend distribution and be recognised when the dividend is appropriately authorised (recommended by the Board of Directors and recognized on the date approved by the shareholders) and is no longer at the discretion of the entity. The amount of in-kind dividend distribution is measured at the fair value of the assets to be distributed. The effect of the distribution is recorded in the consolidated statement of changes in equity.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements in conformity with IFRS accounting standards as endorsed in the KSA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosure of contingent liabilities at the reporting date. It also requires the Management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advises and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

a) Going concern

The Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis. In making the going concern assessment, the Group has considered a wide range of information relating to present and future projections of profitability, cashflows and other capital resources etc.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the group's accounting policies (continued)

b) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

c) Determining the lease term of contracts with renewal and termination options – Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

d) Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the group's accounting policies (continued)

e) Significant increase in credit risk

As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 'Financial Instruments' does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

f) Classification of investment properties

When determining whether property, plant and equipment should be classified as investment property, the Group assesses whether the property is held to earn rentals for capital appreciation or both. The Group follows the guidance of IAS 40 on classifying its investment property. If the property meets the definition, the Group assesses the suitable basis for allocation for the ratio of leased out area in proportion to the total area of the property, either on the basis of floors or square meter area rented out.

g) Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an entity when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees. The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees. Generally, there is a presumption that having majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

h) Hedge accounting

The Group applies cash flow and fair value hedge accounting in accordance with IFRS 9. Significant judgement is involved in determining whether designated hedging relationships meet the qualifying criteria, including:

- Assessing the existence of an economic relationship between the hedged item and the hedging instrument;
- Evaluating whether credit risk dominates changes in fair value;
- Determining the appropriate hedge ratio consistent with the Group's risk management strategy; and
- Assessing whether forecast transactions designated in cash flow hedges are highly probable.

The Group discontinues hedge accounting prospectively when the qualifying criteria are no longer met.

i) Distribution of non-cash assets to owners as in-kind dividend

Distribution in-kind dividends to the shareholders are accounted for as per the guidance of IFRIC 17 "Distributions of Non-cash Assets to Owners". IFRIC 17 requires that non-cash asset distributions be measured at the fair value of assets distributed. The recognition and measurement of in kind distributions involve significant judgment, particularly in the determination of fair value. The Group management has made judgements with regard to the determination of the fair value, and the effective date on which the Group has ceased to have control over the non-cash assets distributed.

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may 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) Useful lives and residual values of property and equipment, intangibles and investment properties
The management determines the estimated useful lives of property and equipment, intangibles and investment properties for calculating depreciation / amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. The 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.

b) Impairment of inventories

Inventories are stated at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made for their net realizable value. For individually significant amounts, the estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete are assessed collectively and an allowance for inventory obsolescence is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

c) Calculation of Expected Credit Loss (ECL) allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Any changes in ECL rates and recoveries of receivables within or beyond the defined credit periods in the future would have a significant impact on the reported loss allowance.

d) Impairment of non-financial assets

The carrying amount of non-financial assets are reviewed at the end of each reporting period or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds the recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)

Estimates and assumptions (continued)

e) Estimating provision for returns and variable consideration for sales discounts and volume rebates

The Group estimates provision for returns and variable considerations to be included in the transaction price for the sale of goods with sales discounts or volume rebates.

The Group supplies the products based on orders of the customers with a right to return the goods within a specified period, if the goods do not meet the quality criteria. Contracts in which a customer may return a defective product in exchange for a functioning product are evaluated in accordance with the IAS 37.

Determining whether a customer will be likely entitled to rebate will depend on the customer's rebates entitlement and accumulated purchases. The Group applied most likely amount method for estimating expected sales discounts and volume rebates for contracts. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of provision for expected returns and volume rebates annually and accordingly the provision and refund liabilities are adjusted respectively. Estimates of expected returns, sales discounts and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns, discounts and rebate entitlements and may not be representative of customers' actual returns and rebate entitlements in the future.

f) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

g) Provision for asset restoration

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax / zakat rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount (if any) is recognised as finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)

Estimates and assumptions (continued)

g) Provision for asset restoration (continued)

Group records provision for decommissioning costs of manufacturing facility and restoration of leasehold improvements. Such costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a rate that reflects the current market assessments of the time value of money and risks specific to the related liability. The unwinding of the discount is expensed as incurred and recognized in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

h) Discount rate used to determine the carrying amount of the entity's defined benefit obligation

The determination of the entity's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the entity's financial statements within the next year. Further information on the carrying amounts of the entity's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 24.

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Cost								
January 1, 2024	1,322,176	2,879,275	1,754,176	3,093,884	2,722,496	475,050	253,039	12,500,096
Additions	239	2,630	109	22,647	21,419	6,516	679,785	733,345
Acquisition of subsidiary (Note 1)	-	-	-	-	-	-	2,226	2,226
Disposals / write-off / reversals	(130,013)	(13,628)	(472)	(17,894)	(97,121)	(17,875)	(278)	(277,281)
Transfer from CWIP	-	26,623	170,326	1,535	225,479	4,424	(428,387)	-
Hyperinflation adjustment	310	12,273	(8,820)	(123,170)	93	15	109	(119,190)
Disposal of subsidiaries (Note 22)	(59,769)	(36,489)	(102)	(344,306)	(13,945)	(5,712)	(44,915)	(505,238)
Effect of movement in exchange rate	(5,477)	(68,867)	(5,753)	(220,331)	(15,958)	(11,601)	(26,161)	(354,148)
Transfer to Intangible assets (Note 8)	-	-	-	-	-	-	(2,008)	(2,008)
Transfer to investment properties (Note 9)	-	(2,938)	-	-	-	-	-	(2,938)
December 31, 2024	<u>1,127,466</u>	<u>2,798,879</u>	<u>1,909,464</u>	<u>2,412,365</u>	<u>2,842,463</u>	<u>450,817</u>	<u>433,410</u>	<u>11,974,864</u>
January 1, 2025	1,127,466	2,798,879	1,909,464	2,412,365	2,842,463	450,817	433,410	11,974,864
Disposal of subsidiaries (Note 22)	(219)	(49,409)	(74)	(29,462)	(1,593)	(36)	(1,844)	(82,637)
Additions	-	4,275	4,809	35,522	19,504	10,142	726,277	800,529
Disposals / write-off / reversals	(2,500)	(35,888)	(29,547)	(70,342)	(128,030)	(22,521)	(4,266)	(293,094)
Transfer from CWIP	464	104,109	247,787	177,592	276,603	5,898	(812,453)	-
Hyperinflation adjustment	37	4,267	1	783	(13)	(1)	13	5,087
Transfer to Intangible assets (Note 8)	-	-	-	-	-	-	(12,768)	(12,768)
Transfer (to) / from investment properties (Note 9)	-	(20,780)	-	-	4	-	-	(20,776)
Effect of movement in exchange rate	(2,914)	18,906	1,208	37,189	2,969	2,694	2,115	62,167
December 31, 2025	<u>1,122,334</u>	<u>2,824,359</u>	<u>2,133,648</u>	<u>2,563,647</u>	<u>3,011,907</u>	<u>446,993</u>	<u>330,484</u>	<u>12,433,372</u>

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Accumulated depreciation / impairment loss								
January 1, 2024	(80,241)	(1,303,302)	(1,104,569)	(1,453,566)	(2,106,719)	(400,827)	(4,596)	(6,453,820)
Disposal of subsidiaries (Note 22)	-	31,665	6,644	310,072	12,649	3,221	-	364,251
Depreciation for the year	-	(108,482)	(97,017)	(187,490)	(200,430)	(17,240)	-	(610,659)
Disposals / write-off / reversals	-	12,056	135	16,594	94,089	17,058	-	139,932
Impairment reversal / (loss) (Note 40)	42,352	(11,425)	(19,396)	(119,695)	(2,582)	21	(7,223)	(117,948)
Effect of movement in exchange rate	-	24,880	3,271	97,662	7,435	8,579	-	141,827
December 31, 2024	(37,889)	(1,354,608)	(1,210,932)	(1,336,423)	(2,195,558)	(389,188)	(11,819)	(6,536,417)
January 1, 2025	(37,889)	(1,354,608)	(1,210,932)	(1,336,423)	(2,195,558)	(389,188)	(11,819)	(6,536,417)
Disposal of subsidiaries (Note 22)	-	5,670	50	5,964	678	27	-	12,389
Depreciation for the year	-	(106,229)	(138,025)	(133,349)	(217,297)	(14,033)	-	(608,933)
Disposals / write-off / reversals	-	19,700	29,379	22,157	124,192	22,066	-	217,494
Impairment reversal / (loss) (Note 40)	1,797	6,022	(514)	(3,340)	(2,896)	20	(35,691)	(34,602)
Transfer (to) / from investment properties (Note 9)	-	9,383	-	-	-	-	-	9,383
Effect of movement in exchange rate	-	(746)	(691)	(3,821)	(892)	(469)	-	(6,619)
December 31, 2025	(36,092)	(1,420,808)	(1,320,733)	(1,448,812)	(2,291,773)	(381,577)	(47,510)	(6,947,305)
Net book value:								
December 31, 2024	1,089,577	1,444,271	698,532	1,075,942	646,905	61,629	421,591	5,438,447
December 31, 2025	1,086,242	1,403,551	812,915	1,114,835	720,134	65,416	282,974	5,486,067

- a) Construction work in progress relates to the construction and upgrade of supermarkets and hyper markets as well as the upgrade and enhancement of the production and logistic facilities in certain subsidiaries.

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7. RIGHT-OF-USE ASSETS

The movement of right-of-use assets is as follows:

	Land	Buildings	Plant and equipment	Vehicles	Total
<u>Cost</u>					
January 1, 2024	932,709	4,475,691	7,112	110,324	5,525,836
Addition during the year	29,235	493,705	82	57,866	580,888
Acquisition of subsidiary	18,102	-	-	-	18,102
Leases termination / modification	(30,226)	(272,699)	-	(46,717)	(349,642)
Disposal of subsidiaries (Note 22)	-	(2,187)	(82)	(136)	(2,405)
Effect of movement in exchange rate / Adjustment	(7,254)	(10,053)	-	462	(16,845)
December 31, 2024	<u>942,566</u>	<u>4,684,457</u>	<u>7,112</u>	<u>121,799</u>	<u>5,755,934</u>
January 1, 2025	942,566	4,684,457	7,112	121,799	5,755,934
Addition during the year	64,943	721,288	-	108,305	894,536
Leases termination / modification	(40,056)	(215,768)	-	(5,790)	(261,614)
Disposal of subsidiaries (Note 22)	-	-	-	(8,143)	(8,143)
Effect of movement in exchange rate/ Adjustment	809	17,452	-	(1,266)	16,995
December 31, 2025	<u>968,262</u>	<u>5,207,429</u>	<u>7,112</u>	<u>214,905</u>	<u>6,397,708</u>
<u>Accumulated amortization and impairment</u>					
January 1, 2024	(296,958)	(2,099,540)	(1,818)	(87,136)	(2,485,452)
Amortization for the year	(79,849)	(400,118)	(592)	(17,266)	(497,825)
Leases termination / modification	24,232	227,141	-	43,691	295,064
Disposal of subsidiaries (Note 22)	-	1,250	118	277	1,645
Impairment loss (Note 40)	(5,623)	(12,573)	-	-	(18,196)
Effect of movement in exchange rate	1,995	4,495	-	400	6,890
December 31, 2024	<u>(356,203)</u>	<u>(2,279,345)</u>	<u>(2,292)</u>	<u>(60,034)</u>	<u>(2,697,874)</u>
January 1, 2025	(356,203)	(2,279,345)	(2,292)	(60,034)	(2,697,874)
Amortization for the year	(83,709)	(421,078)	(474)	(30,274)	(535,535)
Leases termination / modification	34,450	199,528	-	4,430	238,408
Disposal of subsidiaries (Note 22)	-	-	-	4,247	4,247
Impairment reversal / (loss) (Note 40)	(1,129)	11,191	-	-	10,062
Effect of movement in exchange rate	(133)	(610)	-	590	(153)
December 31, 2025	<u>(406,724)</u>	<u>(2,490,314)</u>	<u>(2,766)</u>	<u>(81,041)</u>	<u>(2,980,845)</u>
<u>Carrying amounts</u>					
December 31, 2024	<u>586,363</u>	<u>2,405,112</u>	<u>4,820</u>	<u>61,765</u>	<u>3,058,060</u>
December 31, 2025	<u>561,538</u>	<u>2,717,115</u>	<u>4,346</u>	<u>133,864</u>	<u>3,416,863</u>

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8. INTANGIBLE ASSETS AND GOODWILL

8.1 The movement of intangible assets and goodwill is as follows:

	Goodwill	Brands with indefinite useful life	Software	Customer list	Distribution network	Total
Cost						
January 1, 2024	982,907	480,271	332,597	170,111	8,480	1,974,366
Additions	-	1,673	39,361	-	-	41,034
Transfer from PPE	-	-	2,008	-	-	2,008
Disposals / write-off	-	-	(4,214)	-	-	(4,214)
Disposal of subsidiaries (Note 22)	-	-	(2,090)	-	-	(2,090)
Effect of movement in exchange rate	(27,131)	-	90	-	-	(27,041)
December 31, 2024	<u>955,776</u>	<u>481,944</u>	<u>367,752</u>	<u>170,111</u>	<u>8,480</u>	<u>1,984,063</u>
January 1, 2025	955,776	481,944	367,752	170,111	8,480	1,984,063
Additions	-	-	57,971	-	-	57,971
Transfer from PPE (note 6)	-	-	12,768	-	-	12,768
Disposals / write-off	-	-	(12,855)	-	-	(12,855)
Disposal of subsidiaries (Note 22)	-	-	(650)	-	-	(650)
Effect of movement in exchange rate	569	-	(1,157)	-	-	(588)
December 31, 2025	<u>956,345</u>	<u>481,944</u>	<u>423,829</u>	<u>170,111</u>	<u>8,480</u>	<u>2,040,709</u>
Accumulated Amortisation						
January 1, 2024	(100,873)	-	(162,267)	(30,979)	(1,695)	(295,814)
Amortisation for the year	-	-	(27,036)	(13,996)	(678)	(41,710)
Disposal of subsidiaries (Note 22)	-	-	1,836	-	-	1,836
Disposals / write-off	-	-	3,863	-	-	3,863
Impairment (loss) / reversal during the year (Note 40)	(157,745)	(75,871)	(658)	(19,991)	-	(254,265)
Effect of movement in exchange rate	-	-	1,720	-	-	1,720
December 31, 2024	<u>(258,618)</u>	<u>(75,871)</u>	<u>(182,542)</u>	<u>(64,966)</u>	<u>(2,373)</u>	<u>(584,370)</u>
January 1, 2025	(258,618)	(75,871)	(182,542)	(64,966)	(2,373)	(584,370)
Amortisation for the year	-	-	(36,476)	(11,782)	(678)	(48,936)
Disposal of subsidiaries (Note 22)	-	-	327	-	-	327
Disposals / write-off	-	-	121	-	-	121
Impairment (loss) / reversal during the year (Note 40)	-	-	(100)	-	-	(100)
Effect of movement in exchange rate	-	-	996	-	-	996
December 31, 2025	<u>(258,618)</u>	<u>(75,871)</u>	<u>(217,674)</u>	<u>(76,748)</u>	<u>(3,051)</u>	<u>(631,962)</u>
Carrying amounts						
December 31, 2024	<u>697,158</u>	<u>406,073</u>	<u>185,210</u>	<u>105,145</u>	<u>6,107</u>	<u>1,399,693</u>
December 31, 2025	<u>697,727</u>	<u>406,073</u>	<u>206,155</u>	<u>93,363</u>	<u>5,429</u>	<u>1,408,747</u>

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8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

8.2 The carrying values of goodwill, after foreign currency translation adjustments, comprises the following:

	<u>2025</u>	<u>2024</u>
Bayara Holding Limited	323,270	323,270
Savola Industrial Investment Company	145,664	145,664
Giant Stores Trading Company	95,209	95,209
Afia International Company	84,016	84,016
Herfy Foods Services Company	25,330	25,330
Afia International Company, Egypt	9,326	8,757
United Sugar Company	14,912	14,912
	<u>697,727</u>	<u>697,158</u>

The Group has reviewed the carrying amounts of goodwill to determine whether the carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows based on management's approved 5-year plan, discounted to their present value using the growth rates, applicable discount rates and a terminal value percentages. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

The calculation of value-in-use is most sensitive to the following assumptions:

a) Discount rates

Discount rates reflect management estimates of the rate of return required for each business. The management has used the Weighted Average Cost of Capital (WACC) to determine the cost of capital rate. The cost of equity has been computed using the Capital Asset Pricing Model.

The following discount rates have been used which are based on the WACC of respective CGUs:

	<u>Discount Rate %</u>		<u>Terminal growth rate %</u>	
	2025	2024	2025	2024
Savola Industrial Investment Company	9.7	12.1	1.0	2.0
Afia International Company	8.8	12.1	1.5	2.0
Afia International Company Egypt	22.4	23.2	2.0	2.0
Bayara Holding Limited	12.6	12.5 - 14.5	2.1	2.1
Giant Stores Trading Company	10.9	11.8	2.0	2.0

b) Key commercial assumptions

The valuation is based on the key commercial assumptions that revenue forecast and contribution margins in the products of the CGUs would be achieved.

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8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

As of December 31, 2025, there was headroom available aggregating to SR 3,987 million (2024: SR 2,924 million) between the recoverable amount and the carrying value of above CGUs after incorporating the impact of impairment charge for the year as disclosed in Note 40.

The following table shows the key mutually exclusive assumptions that would reduce the estimated recoverable values to the carrying amounts:

	Discount rate %	Average EBITDA growth rate %
Savola Industrial Investment Company	1.9	(18.0)
Afia International Company	18.2	(5.8)
Afia International Company Egypt	10	(0.7)
Bayara Holding Limited	1.4	(1.9)
Giant Stores Trading Company	41.4	1.3

9. INVESTMENT PROPERTY

	2025	2024
Cost		
Balance at beginning of year	196,125	193,187
Transfer from Property, plant and equipment (Note 6)	20,776	2,938
Balance at end of year	216,901	196,125
Accumulated depreciation		
Balance at beginning of year	(44,329)	(39,558)
Transfer from Property, plant and equipment (Note 6)	(9,383)	-
Depreciation during the year	(4,955)	(4,771)
Balance at end of year	(58,667)	(44,329)
Carrying amounts	158,234	151,796

9.1 As of December 31, 2025, the investment property includes a property from the Food Services segment having a fair value of SR 292 million (December 31, 2024: SR 238 million). The fair values have been determined by an external independent property valuer using future discounted cashflows approach which is third level of fair value based on the inputs to the valuation technique used. The valuer is certified by "Qiyas company for Estate Appraisal" (Saudi Authority for Accredited Valuers) and has recent experience in location and the category of property being valued.

9.2 All investment properties have been kept for the purpose of earning rental income.

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10 EQUITY-ACCOUNTED INVESTEEES

The details of the Group's investment in equity-accounted investees are as follows:

Name	Relationship	Principal business sector	Country of incorporation	Ownership interest (%)		December 31,	
				2025	2024	2025	2024
Kinan International for Real Estate Development Company ("Kinan")	Associate	Real Estate	Saudi Arabia	29.9	29.9	435,517	409,097
Intaj Capital Limited ("Intaj")	Associate	Fund management	Republic of Tunisia	49	49	-	-
						<u>435,517</u>	<u>409,097</u>

10.1 Movement in the investment in equity-accounted investees is as follows:

	2025	2024
Balance at beginning of year	409,097	9,309,103
Share in net income, net of zakat and tax	51,775	808,635
Additions (Note 1)	-	59,965
Share in reserves (Note 18)	(239)	(108,892)
Dividends	(25,116)	(368,540)
Distribution of equity accounted investee as dividend in-kind (Note 16)	-	(9,083,819)
Step acquisition (change of status from associate to subsidiary) (Note 1)	-	(200,836)
Other adjustments	-	(6,519)
Balance at end of year	<u>435,517</u>	<u>409,097</u>

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10. EQUITY-ACCOUNTED INVESTEEES (CONTINUED)

10.2 The following table summarizes the financial information of significant equity-accounted investees:

	Kinan	
	2025	2024
Percentage of ownership interest	29.9	29.9
Non-current assets	1,518,136	1,522,010
Current assets	1,655,639	1,743,430
Non-current liabilities	547,628	509,252
Current liabilities	296,125	570,904
Net assets attributable to shareholders	2,009,784	1,912,610
Group's share of net assets	600,925	571,870
Carrying amount of interest in associates	435,517	409,097
Revenue	780,604	535,209
Profit from attributable to shareholders	181,974	103,138
Other comprehensive (loss) / income attributable to shareholders	(799)	1,780
Total comprehensive income attributable to shareholders	181,175	104,918
Dividends received by the Group	25,116	23,322

10.3 Commitments and contingent liabilities in respect of equity accounted investees:

As of December 31, 2025, the equity accounted investee had outstanding letters of guarantees and capital commitments for its ongoing projects amounting to SR 13.2 million (2024: SR 3.9 million) and SR 55.4 million (2024: SR 51 million), respectively.

During 2024, the title deed of an investment property of the equity-accounted investee amounting to SR 402.8 million was suspended. Management of the investee company had filed an application for review with the competent authorities. During the current year, the authority finalized the decision in favour of the equity- accounted investee. The legal formalities for removing the suspension of the title deed were completed subsequent to the year end.

11. INVESTMENTS

Investments comprise the following:

Non – current Investments

	2025	2024
Investments carried at FVOCI (Note 11.1 & 11.4)	151,551	108,271
Investments carried at amortized cost (Note 11.5)	524,808	-
	676,359	108,271

Current Investments

Investments carried at FVOCI	-	121,608
Investments carried at FVTPL (Note 11.4)	32,305	115,986
Investments carried at amortized cost (Note 11.6)	53,497	546,941
	85,802	784,535

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11. INVESTMENTS (CONTINUED)

11.1 Investments held at fair value through other comprehensive income:

	2025	2024
Quoted investments (Note 11.3)	131,599	188,233
Unquoted investments	19,952	41,646
	151,551	229,879

11.2 Movement in the FVOCI investments is as follows:

	2025	2024
Balance at beginning of year	229,879	98,068
Additions during the year	-	129,900
Fair value reserves adjustment (Note 18)	(78,328)	1,911
Balance at end of year	151,551	229,879

11.3 The Group has applied an appropriate market participant discount factor in valuing one of its quoted investment due to the security-specific restrictions on disposal. Accordingly, the investment has been classified as level 2 securities.

11.4 Investment in FVOCI and FVTPL includes investment in Almarai recorded as a result of capital reduction and distribution. The shares carried at FVTPL are related to the Company's employee share scheme plan, while the shares classified under FVOCI pertain to withholding tax shares withheld upon distribution to the company's foreign shareholders.

11.5 During the year, the Group has purchased Sukuk issued by the Government - Saudi Ministry of Finance (MOF) amounting to SR 523.9 million at market rate, with a maturity date of August 26, 2027.

11.6 This includes Investments in Treasury bills and Term deposits with commercial banks, with an original maturity of more than three months and yield commission income at prevailing market rates. The management expects to realize these within 12 months from the reporting date.

12. INVENTORIES

	2025	2024
Finished products	3,036,970	2,532,031
Raw and packing materials	744,939	927,821
Work in process	83,278	85,573
Spare parts and supplies	275,703	281,140
Goods in transit	690,472	456,947
	4,831,362	4,283,512
Less: Impairment provision	(150,803)	(112,291)
	4,680,559	4,171,221

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12. INVENTORIES (CONTINUED)

The movement of impairment provision is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	112,291	107,336
Charge / write off for the year	35,623	16,320
Acquisition of subsidiary (Note 1)	-	8,490
Disposal of subsidiaries (Note 22)	(874)	(15,410)
Effect of movement in exchange rate	3,763	(4,445)
Balance at end of year	<u>150,803</u>	<u>112,291</u>

Inventories have been reduced by SR 122.8 million (December 31, 2024: SR 132.8 million) as a result of the write-down to net realizable value.

13. TRADE RECEIVABLES

	<u>2025</u>	<u>2024</u>
Trade receivables	2,045,098	2,116,034
Less: Allowance for expected credit losses	(188,401)	(159,082)
	<u>1,856,697</u>	<u>1,956,952</u>

Following is the movement of allowance for expected credit losses:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	159,082	187,699
Impairment loss for the year – net	51,755	1,987
Acquisition of subsidiary (Note 1)	-	347
Disposal of subsidiaries (Note 22)	(4,163)	(11,975)
Write off	(11,846)	(9,333)
Effect of movement in exchange rate	(6,427)	(9,643)
Balance at end of year	<u>188,401</u>	<u>159,082</u>
	2025	2024
Allowance for expected credit losses	51,755	1,987
Charge related to discontinued operations (Note 22)	(940)	(3,481)
Charge related to continuing operations	<u>50,815</u>	<u>(1,494)</u>

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14. PREPAYMENTS AND OTHER RECEIVABLES

	<u>2025</u>	<u>2024</u>
Measured at cost		
Receivable from government authorities (Note 14.1)	373,089	270,607
Sales proceed receivables (Note 22)	274,619	473,587
Prepaid expenses	184,661	278,096
Advances to vendors	137,698	277,772
Non-trade receivable (Note 14.2)	41,412	42,930
Prepaid rent	17,932	19,247
Refundable deposits	11,699	10,944
Others	70,776	67,960
Measured at fair value		
Positive fair value of derivatives (Note 14.3)	187,595	144,377
Measured at amortised cost		
Employee loans and advances	47,023	52,169
	<u>1,346,504</u>	<u>1,637,689</u>

14.1 Receivable from government authorities mainly includes claims of certain subsidiaries on account of subsidies, value added and other taxes.

14.2 This represents non-trade related balances with shareholder of a subsidiary.

14.3 Derivative Financial Instruments

The group has the following derivative financial instruments in the following line items in the statement of financial position:

	<u>2025</u>	<u>2024</u>
Derivative financial instruments (classified under prepayments and other receivables)		
Future exchange contracts	187,595	78,011
Firm commitments	-	66,366
	<u>187,595</u>	<u>144,377</u>
Derivative financial instruments (classified under Accrued and other liabilities)		
Future exchange contracts	98,035	137,080
Firm commitments	-	14,491
	<u>98,035</u>	<u>151,571</u>

In the ordinary course of business, the Group utilizes the following derivative financial instruments for both hedging and other purposes:

(a) Future exchange commodity contracts

Future exchange contracts are the contractual agreements to either buy or sell a specified commodity at a specified price and date in the future. Futures are transacted in standardized amounts on regulated exchanges. These future contracts are held for both hedging and trading purposes.

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14. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(b) Commodity future exchange contracts held for hedging purposes:

Risk management strategy of the Group:

The Group imports its raw sugar from overseas markets. Once the raw sugar is purchased and imported, it is then refined into white sugar and sold to end consumers. The purchases of the raw sugar are usually linked to the price of New York 11 Future Contracts ("NY11") while the price for the sale of white sugar is mainly linked to the London 5 Future contracts ("L5") with a few exceptions. The difference between NY11 and L5 price is referred to as "White Premium" which is essentially the processing cost of converting raw sugar into white sugar and is one of the main components of the refining cost.

The Group's risk management strategy is to hedge the price risk which arises from the following commodity-based exposures:

- Changes in the price of raw sugar purchases (firm commitments) that are based on NY11 future contracts which arises from the fluctuation in raw sugar prices, associated with the firm commitments for purchases;
- Changes in the value of sugar inventory that is held on the reporting date denominated in NY 11; and
- Changes in the value of highly probable White sugar sales; and Change in the value of the highly probable raw sugar purchases

Exposure to price risks impacts the profitability and financial position of the Group due to movement in the NY 11 rates and the variations between NY 11 and L5 prices. These exposures are managed through the use of derivative financial instruments comprising mainly of futures contracts.

The Group has adopted a comprehensive system for the measurement and management of risk (note 42 – credit risk, market risk and liquidity risk). The Group's risk management is predominantly controlled by SFC's Commodity Risk Control ("CRC") team under the policies approved by the board of directors. Group CRC team identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as commodity risk management and the use of derivative financial instruments. Management considers the counter party risk to be immaterial.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in gains/losses arising on the changes in the fair value of commodity contracts or inventory being offset against the gains/losses on the derivative contracts in the profit or loss. All of the Group's derivatives are entered into with the global commodity exchanges. Derivative activities are mainly carried out under the Group's CRC function.

The Group's hedging activities include:

- 1) Fair value hedges for firm commitments and sugar inventory and
- 2) Cash flow hedges for the changes in white sugar premium.

1) Fair value hedges:

The Group uses future contracts to hedge its exposure to changes in the price of raw sugar purchases (firm commitments) and inventory held as part of the risk management process involves managing the Group's exposure to fluctuations in inventory prices to reduce its exposure to inventory risks to acceptable levels as determined by the Board of Directors.

14. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

1) Fair value hedges: (continued)

The Board of Directors has established levels of inventory risk by setting limits on counterparty and commodity derivative position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The group's risk management policy is to hedge 100% of the exposure to price risk. Hence, for the year ended 31 December 2025, 100% of the price risk associated with firm commitments and sugar inventory held were hedged.

For the hedges of firm commitments and inventory held, the group enters into fair value hedge relationships where the critical terms of the hedging instrument (commodity futures contracts) match exactly with the terms of the hedged item such as payment dates, maturities and notional amount. The group hedge 100% of the notional value. The group therefore performs a qualitative assessment of effectiveness through matching the critical terms of the hedging instrument and hedged item. As all critical terms matched during the year, Group determines that there is an economic relationship. Group monitors on a regular basis if changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument.

The Group determines hedge effectiveness at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

No hedge ineffectiveness was noted in relation to the fair value hedges for 2025 and 2024.

2) Cash flow hedges:

The Group uses future contracts to hedge its exposure to changes in the white sugar premium ("hedged items") i.e. the difference between the NY11 and L5 future prices. Under the Group's hedging policy, the critical terms of the futures contracts must align with the hedged items. The Group's risk management policy is to hedge 100% of the exposure to price risk. Hence, for the year ended 31 December 2025, 100% of the price risk associated with the white premium was hedged.

The group enters into hedge relationships where the critical terms of the hedging instrument (commodity futures contracts) match exactly with the terms of the hedged item such as payment dates, maturities and notional amount. The group hedge 100% of the notional value. The group therefore performs a qualitative assessment of effectiveness through matching the critical terms of the hedging instrument and hedged item. As all critical terms matched during the year, Group determines that there is an economic relationship.

Group monitors on a regular basis if changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument.

The Group determines hedge effectiveness at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group considers potential sources of ineffectiveness to arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty.

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14. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

2) Cash flow hedges: (continued)

No hedge ineffectiveness was noted in relation to the cash flow hedges for 2025 and 2024.

The table below shows the positive and negative fair values of derivative financial instruments, number of lots, together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

Movements in the other reserve of cash flow hedges:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	(2,629)	(20,409)
Gain on changes in fair value recognized directly in equity, net	(3,857)	17,780
Balance at end of year	(6,486)	(2,629)

Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the valuation of derivative financial instruments by the amounts shown below.

	Amount		Quantity No. of lots	Amount Net fair value	Maturity profiles		
	Positive fair value	Negative fair value			Within 3 months	3-12 months	1-5 years
<u>2025</u>							
Commodity futures – held as hedging derivatives	186,424	(97,892)	44,398	88,532	104,808	(15,672)	(604)
Options	1,171	(143)	2,790	1,028	945	83	-
<u>2024</u>							
Commodity futures – held as hedging derivatives	144,366	(151,426)	41,826	(7,060)	(12,071)	5,145	(134)

All of the Group's derivatives are entered into with the global commodity exchanges. Derivative activities are mainly carried out under the Group's commodity risk control function.

Commodity future exchange contracts held for trading purposes:

These future contracts are only used for economic hedging purposes and not as speculative investments. However, where these derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

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15. CASH AND CASH EQUIVALENTS

	2025	2024
Cash in hand	22,642	20,632
Cash at bank- current account	574,813	948,448
Cash and bank balances	597,455	969,080
Deposits with maturity less than three months (Note 15.1 & Note 15.2)	306,682	1,266,248
Cash and cash equivalents presented in statement of financial position	904,137	2,235,328
Bank overdrafts (note 21)	(61,440)	(87,364)
Cash and cash equivalents for cash flow purposes	842,697	2,147,964

15.1 These yield commission income at prevailing market rates with latest maturity by March 2026.

15.2 As at the reporting date the carrying value of bank balances and deposits represent its maximum exposure to credit risk without taking into account any collateral and other credit enhancement, and none of the balances is impaired at the reporting date.

16. SHARE CAPITAL AND DIVIDEND DECLARATION

As of December 31, 2025 and December 31, 2024, the Group's share capital of SR 3 billion consists of 300 million fully paid shares of SR 10 each.

During 2024, the Group's Board had recommended to increase the Group's share capital by SR 6 billion, from SR 5.3 billion to SR 11.3 billion, through a right issue of shares. The Extraordinary General Assembly (EGM) approved the right issue of shares on August 25, 2024 (corresponding to 21 Safar 1446H), to increase the Group's share capital. Consequently, all relevant regulatory formalities were completed during 2024.

On September 26, 2024 (corresponding to 23 Rabi Alawal 1446H) the Group's Board recommended to reduce the Group's share capital by SR 8.3 billion, from SR 11.3 billion to SR 3 billion and distribute the Group's entire stake in Almarai Company as an in-kind distribution. On December 12, 2024 (corresponding to 11 Jumada Althani 1446H) the EGM approved the Capital reduction of the Group through cancelling (833,980,684) ordinary shares with a reduction ratio of approximately 0.7354 shares for each 1 share against the distribution of a number of Almarai Company ("Almarai") shares, to Savola's eligible shareholders, having fair value equivalent to the par value of the Group's cancelled shares. The EGM also approved to distribute Savola Group's entire stake in Almarai to Savola's eligible Shareholders partially in lieu of reduction in share capital and remaining as in-kind distribution. Consequently, all relevant regulatory formalities were completed during the 2024.

The fair value of the investment in Almarai Company on the settlement date amounted to SR 21.1 billion. The dividend was measured at the fair value of the investment in Almarai at the distribution date, amounting to SR 12.75 billion. The difference between the fair value of the distributed shares and their carrying amount net of transaction costs and the release of other reserves has been recognized in the statement of profit or loss and other comprehensive income, resulting in a gain of SR 11.55 billion.

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16. SHARE CAPITAL AND DIVIDEND DECLARATION (CONTINUED)

The Group incurred incremental transaction costs amounting in aggregate to SR 47.7 million in relation to right issue, capital reduction and distribution of shares and is included in "Retained earnings" as of December 31, 2024.

As of December 31, 2025, the Company is holding Almarai shares on behalf of certificate shareholders in a fiduciary capacity. The legal formalities of the transfer of these shares are in progress.

Subsequent to year end, the Company's Board of Directors have recommended final dividend amounting to SR 510 million representing SR 1.7 per share for the approval by the shareholders.

17. STATUTORY RESERVE

In accordance with the previous Companies Law in the Kingdom of Saudi Arabia, the Company was required to set aside 10% of the net income each year until the statutory reserve equalled 30% of its share capital. This requirement was achieved in previous years, and any further appropriations were subsequently discontinued.

On May 7, 2024 (corresponding to 28 Shawwal 1445H), in accordance with the Company's amended By-laws, the General Assembly of the Group's shareholders resolved to transfer the previous statutory reserve, amounting to SR 1.8 billion to retained earnings.

18. OTHER RESERVES

December 31, 2025	Share based payment reserves	Financial assets at FVOCI	Cash flow hedge reserves	Share of equity accounted investees other reserves	Total
Balance at beginning of year	28,697	(86,195)	(2,629)	(7,767)	(67,894)
Share in changes in other reserve of equity accounted investees (Note 10)	-	-	-	(239)	(239)
Fair value adjustment from FVOCI investments (Note 11.2)	-	(78,328)	-	-	(78,328)
Fair value adjustment from derivative financial instruments relating to the effective portion of cash flow hedge (Note 14.3)	-	-	(3,857)	-	(3,857)
Charge for equity-settled employees' share based payment plan (Note 19)	8,804	-	-	-	8,804
Settlement of share-based payment reserve (Note 19)	(28,642)	-	-	-	(28,642)
Balance at end of year	8,859	(164,523)	(6,486)	(8,006)	(170,156)

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18. OTHER RESERVES (CONTINUED)

December 31, 2024	Share based payment reserves	Financial assets at FVOCI	Cash flow hedge reserves	Share of equity accounted investees other reserves	Total
Balance at beginning of year	22,800	(88,106)	(20,409)	(370,798)	(456,513)
Share in changes in other reserve of equity accounted investees	-	-	-	(109,033)	(109,033)
Fair value adjustment from FVOCI investments (Note 11.2)	-	1,911	-	-	1,911
Fair value adjustment from derivative financial instruments relating to the effective portion of cash flow hedge (Note 14.3)	-	-	17,780	-	17,780
Charge for equity-settled employees' share based payment plan (Note 19)	36,304	-	-	-	36,304
Settlement of share-based payment reserve	(12,525)	-	-	-	(12,525)
Share in other reserve of associate reclassified to profit and loss (Note 16)	-	-	-	367,101	367,101
Impact of Capital reduction of share-base payment reserve (Note 19)	(17,882)	-	-	-	(17,882)
Share in other reserve of associate reclassified to retained earnings	-	-	-	104,963	104,963
Balance at end of year	<u>28,697</u>	<u>(86,195)</u>	<u>(2,629)</u>	<u>(7,767)</u>	<u>(67,894)</u>

19. SHARE BASED PAYMENT PLAN

On April 29, 2020, the shareholders of the Company approved the Employees Long Term Incentive Program ("Plan") for the benefit of certain eligible senior executives of the Group (the "Participants"). The Plan entitles the Participants a conditional right to receive a number of restricted share units (each unit equal to the value of one share of the Company at the Grant date), following the satisfaction of service condition.

Significant features of the Plans are as follows:

Grant date / employees entitled	Total number of shares granted	Service / vesting period	Fair value per share on grant date
August 20, 2025	888,008	3 years	SR 24.01
August 20, 2024	468,637	3 years	SR 43.0
September 10, 2023	700,176	3 years	SR 34.8
September 10, 2022	645,549	3 years	SR 31.2

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19. SHARE BASED PAYMENT PLAN (CONTINUED)

Fair value per share on grant date is the closing price per share on Tadawul as at the grant date.

During 2024, the Group carried out capital restructuring (refer to Note 16), which included a rights issue and a capital reduction through the distribution of Almarai shares. Under the granted plans, employees are entitled to all corporate actions affecting the Company's share capital. As a result of the rights issue, the allocated shares increased by 1,613,727 with the Company to claim an exercise price of SR 10 per share from employees. Meanwhile, the capital reduction led to a decrease of 2,337,416 allocated shares, resulting in the grant of 967,551 Almarai shares. The liability for settling Almarai shares is recorded under "Accrued and Other Liabilities". In relation to the above transaction, certain key executives were also granted/awarded additional shares under employee share-based payment plan, that has been settled during the year.

The number of shares under share based payment plans after rights issue, capital reduction and distribution are as follows:

Grant date / employees entitled	Total number of shares allocated	Rights issue shares	Shares cancelled due to Capital reduction	Remaining Savola shares to be vested	Almarai Shares to be vested
August 20, 2024	468,637	470,982	(682,067)	257,552	282,335
September 10, 2023	700,176	640,674	(924,851)	415,999	382,833
September 10, 2022	645,549	502,071	(730,498)	417,122	302,383
	1,814,362	1,613,727	(2,337,416)	1,090,673	967,551

During the year ended December 31, 2025, the plan granted on September 10, 2022 has been vested resulting in vesting of 231,609 Savola shares and 266,164 Almarai shares.

The total expense recognised for employees' services received during the year ended December 31, 2025, under the Plan amounted to SR 8.8 million (2024: SR 36.3 million) and is included in 'salaries and employee related expenses' with a corresponding increase in the consolidated statement of changes in equity under the 'Other reserves'.

During the year ended December 31, 2025, the Group purchased 2,605,152 treasury shares amounting to SR 70 million in connection with the Plan. This includes shares funded by certain subsidiaries that are held by the Company until the fulfilment of vesting period.

As of December 31, 2025, the number of shares to be vested are 1,398,209 (December 31, 2024: 840,816).

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20. NON-CONTROLLING INTERESTS

The following table summarizes the information relating to each of the Group's subsidiaries that has significant / material Non-Controlling Interests ("NCI"), before any intra group eliminations:

December 31, 2025	SFC	Herfy	GFC
Non-current assets	2,566,495	1,267,294	583,902
Current assets	5,151,363	310,861	584,314
Non-current liabilities	658,795	461,952	118,849
Current liabilities	4,587,574	266,980	285,960
Net assets (100%)	2,471,489	849,223	763,407
Carrying amount of NCI	279,055	434,618	235,647
Revenue	13,279,850	1,082,562	804,997
Net profit	575,150	(77,478)	45,686
Other Comprehensive Income ("OCI")	162,015	1,711	6,904
Total comprehensive income (100%)	737,165	(75,767)	52,590
Profit allocated to NCI	94,294	(39,514)	26,615
Total comprehensive income / (loss) allocated to NCI	102,723	(38,641)	30,316
Cash flow from operating activities	727,910	143,658	12,474
Cash flow from investing activities	256,818	(11,721)	(41,698)
Cash flow from financing activities	(1,705,054)	(128,264)	19,745
Dividends paid to NCI	(22,380)	-	(50,112)
December 31, 2024	SFC	Herfy	GFC
Non-current assets	2,574,840	1,430,732	523,177
Current assets	6,642,730	286,888	561,353
Non-current liabilities	658,913	531,419	126,797
Current liabilities	6,488,884	261,211	196,795
Net assets (100%)	2,069,773	924,990	760,938
Carrying amount of NCI	211,781	473,259	255,757
Revenue	11,002,665	1,124,769	760,241
Net profit	(1,682,994)	(116,524)	(33,046)
Other Comprehensive Income ("OCI")	994,537	8,038	6,216
Total comprehensive income (100%)	(688,457)	(108,486)	(26,830)
Profit allocated to NCI	(32,036)	(59,547)	32,253
Total comprehensive (loss) / income allocated to NCI	(48,953)	4,099	35,299
Cash flow from operating activities	38,125	135,407	31,553
Cash flow from investing activities	(275,293)	(15,665)	(77,649)
Cash flow from financing activities	814,806	(125,229)	29,342
Dividends paid to NCI	(53,016)	-	-

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21. LOANS AND BORROWINGS

The following information reflects the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost:

	<u>2025</u>	<u>2024</u>
Non-current liabilities		
Unsecured bank loans	-	29,435
Current liabilities		
Current portion of unsecured bank loans	-	229,445
Unsecured bank loans (Note 21.1)	1,823,785	3,030,427
Bank overdrafts (Note 15)	61,440	87,364
	<u>1,885,225</u>	<u>3,347,236</u>
Accrued finance costs (Note 21.2)	8,699	26,906
	<u>1,893,924</u>	<u>3,374,142</u>
	<u>1,893,924</u>	<u>3,403,577</u>

Geographical analysis of loans and borrowings is as follows:

Location	Long term loans		Short term Loan		Total loans and borrowings	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Saudi Arabia	-	258,880	1,256,382	1,806,452	1,256,382	2,065,332
Egypt	-	-	417,192	828,550	417,192	828,550
Algeria	-	-	72,163	125,182	72,163	125,182
Turkey	-	-	-	237,660	-	237,660
UAE	-	-	148,187	131,577	148,187	131,577
Sudan	-	-	-	15,276	-	15,276
	<u>-</u>	<u>258,880</u>	<u>1,893,924</u>	<u>3,144,697</u>	<u>1,893,924</u>	<u>3,403,577</u>

Changes in liabilities arising from financing activities:

	<u>January 1, 2025</u>	<u>Additions</u>	<u>Repayments</u>	<u>Other changes</u>	<u>Effect of movement in exchange rate</u>	<u>December 31, 2025</u>
Long term borrowings	258,880	-	(260,487)	-	1,607	-
Lease liabilities	3,593,097	894,536	(726,143)	189,134	1,607	3,952,231
Total liabilities from financing activities	<u>3,851,977</u>	<u>894,536</u>	<u>(986,630)</u>	<u>189,134</u>	<u>3,214</u>	<u>3,952,231</u>

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21. LOANS AND BORROWINGS (CONTINUED)

	January 1, 2024	Additions	Repayments	Other changes	Effect of movement in exchange rate	December 31, 2024
Long term borrowings	5,087,648	976,535	(5,782,930)	-	(22,373)	258,880
Lease liabilities	3,522,529	586,824	(660,575)	163,960	(19,641)	3,593,097
Total liabilities from financing activities	<u>8,610,177</u>	<u>1,563,359</u>	<u>(6,443,505)</u>	<u>163,960</u>	<u>(42,014)</u>	<u>3,851,977</u>

21.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, US Dollars, Algerian Dinar, Turkish Lira and United Arab Emirates Dirhams. Certain loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the borrowings of subsidiaries are secured by corporate guarantees of the Parent Company. The Group will also continue to provide corporate guarantee against financing facilities pertaining to discontinued operations, for a defined period, amounting to SR 0.4 billion.

As of December 31, 2025, loans and borrowings include sharia-compliant financing facilities amounting to SR 1.3 billion (December 31, 2024: SR 2.1 billion).

21.2 Movement of accrued finance Costs

	2025	2024
Balance at beginning of year	26,906	56,783
Finance costs paid during the year	(369,320)	(768,056)
Effect of movement in exchange rate	(20,397)	(16,267)
Acquisition of subsidiary (Note 1)	-	3,694
Disposal of subsidiary (Note 22)	(12,829)	-
Charge for the year	<u>384,339</u>	<u>750,752</u>
Balance at end of year	<u>8,699</u>	<u>26,906</u>

21.3 Reconciliation for finance cost on borrowings

	2025	2024
Finance charges on borrowings	384,339	750,752
Discontinued operations	(152,488)	(223,309)
Continuing operations	<u>231,851</u>	<u>527,443</u>

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22. DISCONTINUED OPERATION

	<u>2025</u>	<u>2024</u>
Turkey (Note 22.1)	(14,787)	(58,212)
Iran (Note 22.5)	-	(1,121,572)
Sudan (Note 22.6)	7,202	(260,418)
Total	<u>(7,585)</u>	<u>(1,440,202)</u>

22.1 During the year ended December 31, 2025, the Group entered into a Share Purchase Agreement (SPA) with a Turkish party dealing in food and agriculture business to dispose of its entire equity interest in Kugu (the "Transaction"). The transaction was structured as a share-swap arrangement, whereby, the Group transferred its full shareholding of Kugu to Tiryaki Anadolu Holding Anonim Şirketi ("Tiryaki") in exchange for 15% equity interest in Tiryaki. The transaction was based on an agreed equity valuation of SR 274.6 million. As of the reporting date, the legal formalities pertaining to the disposal had been completed.

Subsequent to year end, the Group received equity instruments of Tiryaki, which have been elected to be classified as investment at fair value through other comprehensive income.

The financial performance of the disposed investment is included in the consolidated statement of profit or loss as part of discontinued operations.

22.2 Financial performance and cashflow information

	<u>2025</u>	<u>2024</u>
Revenue	1,061,229	941,081
Cost of revenues	(928,603)	(816,732)
Selling and distribution expenses	(26,193)	(21,756)
Administrative expenses	(41,447)	(36,975)
Impairment charge	-	(4,005)
Other operating income – net	21,393	8,542
Impairment loss on financial assets	(940)	(1,038)
Finance income	6,868	12,608
Finance cost	(155,096)	(154,586)
Loss before income tax	(62,789)	(72,861)
Deferred tax income	14,044	14,649
Loss after income tax of discontinued operations	(48,745)	(58,212)
Gain on sale of subsidiary after income tax (Note 22.3)	33,958	-
	<u>(14,787)</u>	<u>(58,212)</u>
Exchange differences on translation of discontinued operations	(81,437)	(39,621)
Other comprehensive loss from discontinued operations	(81,437)	(39,621)
Net cash outflow from operating activities	(57,925)	(60,320)
Net cash outflow from investing activities	(9,129)	(6,329)
Net cash inflow from financing activities	90,057	66,606
Net cash generated from / (used in) discontinued operations	<u>23,003</u>	<u>(43)</u>

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22. DISCONTINUED OPERATION (CONTINUED)

*Breakup of depreciation and amortisation:	2025	2024
Cost of revenues	5,715	6,400
Selling and distribution expenses	1,377	1,122
Administrative expenses	1,249	912
	8,341	8,434

22.3 Details of the sale of the subsidiary

	2025
Sales proceeds	274,619
Less:	
Carrying amount of net assets sold (including release of currency translation reserve)	(88,434)
Transaction costs and charge for other related provisions (Note 22.3.1)	(152,227)
Net gain on disposal	33,958

22.3.1 Transaction costs and charge for other related provisions include Group's best estimate of the expected credit losses ('ECL') in respect of certain financial guarantees that were issued by the Group in favour of Kugu prior to the Transaction and have been agreed to be retained for a period of 12 months as per the terms of the SPA, and is recorded under "Accrued and Other Liabilities". The foregoing ECL estimate requires the application of judgment and the use of assumptions such as but not limited to credit conversion factors, probability of default and loss given default percentages (the 'inputs'). Such inputs are predicated on the facts and circumstances existing at the point in time when the related ECL estimate is determined and therefore, are highly sensitive to future events, including the elapse of time, occurring until the expiry date. Accordingly, any changes to the inputs, and the resulting ECL estimate, are accounted for in the period in which these occur.

The cash and cash equivalents as at the date of sales were as follows:

	2025
Cash and cash equivalents	29,265

The carrying amounts of assets and liabilities summarized by each major category as at the date of sale were as follows:

	2025
Trade receivables	135,946
Inventories	86,381
Property, plant and equipment	70,248
Other assets	94,676
Total assets	387,251
Trade payables	47,142
Loans and borrowings	282,259
Other liabilities	50,853
Total liabilities	380,254
Net Assets	6,997

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22. DISCONTINUED OPERATION (CONTINUED)

22.4 During the year ended December 31, 2024, the Group sold its investment in Central Asian subsidiaries, effective December 31, 2024, to an independent third party following an internal reorganization, for a consideration of SR 705 million, of which SR 473.6 million were received during the year 2025.

22.5 Financial performance and cashflow information.

	<u>2024</u>
Revenue	<u>1,275,562</u>
Profit before income tax	<u>134,212</u>
Current income tax	(35,700)
Deferred income tax	(438)
Profit after income tax of discontinued operations	<u>98,074</u>
Loss on sale of subsidiary after income tax	<u>(1,219,646)</u>
	<u>(1,121,572)</u>
Exchange differences on translation of discontinued operations	<u>(203,063)</u>
Other comprehensive income from discontinued operations	<u>(203,063)</u>
Net cash inflow from operating activities	156,472
Net cash outflow from investing activities	(92,115)
Net cash outflow from financing activities	<u>(159,830)</u>
Net cash used in discontinued operations	<u>(95,473)</u>

This transaction resulted in derecognition of non-controlling interest amounting to SR 89.9 million.

22.6 The Board of Directors of SFC passed a resolution on December 31, 2024, to abandon the operations of its subsidiary (Savola Sudan) due to the civil war. Accordingly, Savola Sudan was classified as discontinued operations in these consolidated financial statements.

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22. DISCONTINUED OPERATION (CONTINUED)

Financial performance and cashflow information.

	<u>2024</u>
Revenue	61,953
Loss before income tax	<u>(57,796)</u>
Income tax expense	-
Loss after income tax	(57,796)
Reclassification of foreign currency translation reserve	<u>(202,622)</u>
Loss on abandonment of subsidiary after income tax	(260,418)
Exchange differences on translation of discontinued operations	29,876
Other comprehensive income from discontinued operations	<u>29,876</u>
Net cash inflow from operating activities	79,794
Net cash inflow from investing activities	-
Net cash outflow from financing activities	(74,449)
Net change in cash from discontinued operations	5,345

22.7 Earnings per share attributable to owners of the Company from discontinued operations:

	<u>Amount in Saudi Riyals</u>	
	<u>2025</u>	<u>2024</u>
Basic	(0.02)	(1.47)
Diluted	(0.02)	(1.47)

23. LEASE LIABILITIES

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	3,593,097	3,522,529
Acquisition of subsidiary (Note 1)	-	30,361
Addition during the year	894,536	586,824
Disposal of subsidiaries (Note 22)	(2,927)	(1,005)
Lease terminated / modified during the year	(28,828)	(66,578)
Interest expense for the year	220,889	201,182
Finance cost paid on lease liabilities	(196,555)	(178,404)
Payment during the year – Principal	(529,588)	(482,171)
Effect of movement in exchange rate	1,607	(19,641)
Balance at end of year	<u>3,952,231</u>	<u>3,593,097</u>

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23. LEASE LIABILITIES (CONTINUED)

23.1 Lease liabilities have been presented in the consolidated statement of financial position as follows:

	<u>2025</u>	<u>2024</u>
Lease liabilities – non-current portion	3,446,083	3,166,786
Lease liabilities – current portion	506,148	426,311
	<u>3,952,231</u>	<u>3,593,097</u>

23.2 Amount recognized in statement of profit and loss

	<u>2025</u>	<u>2024</u>
Interest expense	220,762	201,182
Expense relating to short-term leases	184,220	113,041

23.3 Reconciliation for interest expense on lease liabilities

	<u>2025</u>	<u>2024</u>
Interest expense on lease liabilities	220,889	201,182
Discontinued operations (Note 22)	(1,505)	(814)
Continuing operations	<u>219,384</u>	<u>200,368</u>

24. EMPLOYEE BENEFITS LIABILITIES

General Description of the plan

The Group operates an approved unfunded employees' end of service benefits scheme / plan for its permanent employees as required by the Saudi Arabian Labour law and in accordance with the local statutory requirements of the foreign subsidiaries.

The amount recognized in the consolidated statement of financial position is determined as follows:

	<u>2025</u>	<u>2024</u>
Present value of defined benefit obligation	<u>748,401</u>	<u>754,969</u>

An independent actuarial exercise has been conducted as of December 31, 2025 and December 31, 2024 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Labour Laws of respective jurisdictions by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

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24. EMPLOYEE BENEFITS LIABILITIES (CONTINUED)

Movement in net defined benefit liability

Net defined benefit liability comprises only of defined benefit plans.

The movement in the defined benefit obligation during the year is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	754,969	842,718
Acquisition of subsidiary (Note 1)	-	2,339
Disposal of subsidiaries (Note 22)	(1,775)	(27,955)
<i>Included in profit or loss</i>		
Current service cost	76,608	70,391
Interest cost	33,933	41,385
	110,541	111,776
<i>Included in other comprehensive income</i>		
<i>Re-measurement gain:</i>		
Actuarial gain arising from:		
Demographic assumptions	(4,191)	(6,214)
Financial assumptions	(4,051)	(36,360)
Experience adjustment	(10,752)	(20,317)
Actuarial gain	(18,994)	(62,891)
Effect of movement in exchange rates	1,070	(29,031)
Benefits paid	(97,410)	(81,987)
Balance at end of year	<u>748,401</u>	<u>754,969</u>

Actuarial assumptions

The following were the significant actuarial assumptions at the reporting date:

	<u>2025</u>	<u>2024</u>
Discount rate	2.75% - 20.5%	4.9% - 40%
Future salary growth / Expected rate of salary increase	3% - 10%	1.8% - 49%
Mortality rate	0.10% -0.37%	0.10% -0.37%
Employee turnover / withdrawal rates	4.7% - 24.58%	4.7% - 13.79%
Retirement age	60-65 Years	60 years

The weighted average duration of the defined benefit obligation ranges between 4.3 to 15 years.

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24. EMPLOYEE BENEFITS LIABILITIES (CONTINUED)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	(42,995)	47,570	(51,576)	59,175
Future salary growth (1% movement)	50,081	(45,623)	60,865	(53,918)
Withdrawal rates (10% movement)	(3,437)	3,195	(4,771)	5,175
Future mortality (1 year movement)	622	(1,034)	523	(729)

The analysis does not take account of the full distribution of cash flows expected under the plan, and only provides an approximation of the sensitivity of the assumptions considered.

25. PROVISION AGAINST ASSET RESTORATION

Movement in provision against site restoration is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	157,409	153,541
Addition	4,427	-
Unwinding of discount (Note 41)	5,810	4,516
Reassessment during the year	(1,303)	-
Payments made during the year	(1,397)	(648)
Balance at end of the year	164,946	157,409

25.1 A provision against site restoration is recognised in respect of the Group's contractual obligation to restore the leasehold properties, retail outlets, etc.

26. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Property, plant and equipment	-	-	(34,277)	(34,883)	(34,277)	(34,883)
Provisions / other receivables	13,793	16,407	(25,249)	(13,246)	(11,456)	3,161
Other items	10,481	11,858	(29,580)	(44,927)	(19,099)	(33,069)
Tax losses carry-forward	673	18,143	-	-	673	18,143
Intangible assets and goodwill	-	-	(44,106)	(44,608)	(44,106)	(44,608)
Tax asset / (liabilities)	24,947	46,408	(133,212)	(137,664)	(108,265)	(91,256)
Impact of off-setting	(22,319)	(21,100)	22,319	21,100	-	-
Net tax asset / (liabilities)	2,628	25,308	(110,893)	(116,564)	(108,265)	(91,256)

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26. DEFERRED TAX (CONTINUED)

The movement in deferred tax liability-net, recognised in profit and loss and Other Comprehensive Income – Foreign Currency Translation differences (“OCI – CTR”), is as follows:

	January 1, 2025	Recognised in profit or loss	Recognised in OCI- CTR	Other Adjustments	Disposal of subsidiaries (Note 22)	December 31, 2025
Property, plant and equipment	(34,883)	2,995	(2,389)	-	-	(34,277)
Provisions / other receivables	3,161	9,446	(3,286)	-	(20,777)	(11,456)
Other items	(33,069)	18,702	(320)	-	(4,412)	(19,099)
Tax carry-forwards	18,143	(6,153)	868	(319)	(11,866)	673
Intangible assets and goodwill	(44,608)	502	-	-	-	(44,106)
	(91,256)	25,492	(5,127)	(319)	(37,055)	(108,265)

	January 1, 2024	Recognised in profit or loss	Recognised in OCI – CTR	Other Adjustments	Disposal of subsidiaries (Note 22)	Acquisition of Subsidiary (Note 1)	December 31, 2024
Property, plant and equipment	(52,866)	1,710	16,191	-	82	-	(34,883)
Provisions / other receivables	9,945	(1,022)	(5,040)	-	(722)	-	3,161
Other items	(12,612)	(33,127)	(1,622)	18,338	27	(4,073)	(33,069)
Tax carry-forwards	21,024	2,033	(4,656)	-	(258)	-	18,143
Intangible assets and goodwill	-	(44,608)	-	-	-	-	(44,608)
	(34,509)	(75,014)	4,873	18,338	(871)	(4,073)	(91,256)

Reconciliation for deferred tax (income) / charge:

	2025	2024
Deferred charge tax income / charge	(25,492)	75,014
Discontinued operations (Note 22)	14,044	14,211
Continuing operations	(11,448)	89,225

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27. ACCRUED AND OTHER LIABILITIES

	<u>2025</u>	<u>2024</u>
Measured at Cost		
Accrued expenses	801,628	869,734
Marketing related accruals	523,866	500,246
Employee related accrual	405,974	446,260
Payable to shareholders (Note 27.1)	316,628	318,624
Accrued utilities, freight and other charges	127,947	130,000
Payable to contractors	77,007	71,885
Payable to government authorities (Note 27.2)	77,352	248,075
Accrued rent (Note 27.3)	29,529	27,265
Provision against financial guarantee (Note 27.4)	18,650	18,650
Other liabilities	352,789	345,674
Measured at Fair Value		
Negative fair value of derivatives (Note 14.3)	98,035	151,571
	<u>2,829,405</u>	<u>3,127,984</u>

- 27.1 Payable to shareholders include unclaimed dividends declared by the Company 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. In the opinion of management, such amounts are payable on demand and can be claimed during the next year.
- 27.2 Payable to government authorities represents estimated payments to be made to government authorities related to custom duties, value added tax and price adjustments on edible oil purchases.
- 27.3 This includes additional accrued rent resulting from the lease cancellation of retail outlets.
- 27.4 Savola Group Company issued a corporate guarantee in favour of Saudi Industrial Development Fund ("SIDF") along with certain other entities (together referred to as the "SIDF Guarantors") for the loan facility availed by Eastern Industrial Company ("EICO", "Joussour Holding Company's subsidiary"). In 2018, the Company has received a notice from SIDF to settle its share of the guarantee due to default in repayment by EICO of SIDF loan, triggered from the adverse financial performance. Accordingly, the Company recorded a provision amounting to SR 100.7 million. As of December 31, 2025, the outstanding balance amounts to SR 18.7 million.

28. CONTRACT LIABILITIES

	<u>2025</u>	<u>2024</u>
Contract liability – Sale of Goods	138,785	124,761
Contract liability – Unearned rent	13,205	14,640
Total contract liabilities	<u>151,990</u>	<u>139,401</u>

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29. ZAKAT AND INCOME TAXES

Zakat and taxes included in the consolidated statement of profit or loss comprises of the following:

	<u>2025</u>	<u>2024</u>
Foreign income – tax charge	142,497	141,890
Zakat charge – current year	(217,425)	350,010
	(74,928)	491,900
Deferred foreign income-tax (reversal) / charge (Note 26)	(11,448)	89,225
	(86,376)	581,125

The movement in the accrued income-tax is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	106,080	285,847
Charge for the year	142,497	177,590
Acquisition of subsidiary (Note 1)	-	1,228
Disposal of subsidiaries (Note 22)	(4,506)	(75,400)
Effect of movement in exchange rate	1,111	(103,272)
Payments during the year	(111,057)	(179,913)
Balance at end of the year	134,125	106,080

The movement in the accrued zakat is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of the year	403,868	76,292
(Reversal) / charge for the year, net	(217,425)	350,010
Payments during the year	(81,566)	(22,434)
Transfer from accrued and other liabilities	7,388	-
Balance at end of the year	112,265	403,868

Reconciliation for income-tax charge:

	<u>2025</u>	<u>2024</u>
Current income tax charge	142,497	177,590
Charge related to discontinued operations (Note 22)	-	(35,700)
Charge related to continuing operations	142,497	141,890

(a) Zakat status

The Company has received final zakat certificates from the Zakat, Tax and Customs Authority (“ZATCA”) for all periods until 2013. Moreover, the years from 2013 to 2018 were also finalized based on the disclosure initiative. During the year 2020, the ZATCA issued a revised claim, for the previously finalized years from 2014 to 2018 claiming additional zakat difference of SR 59.5 million. The management had escalated the Company’s objection against the said claim to the level of General Secretariat of Tax Committees (GSTC). The GSTC issued the official decision showing a reduction of Zakat difference to SR 27.5 million. The case was transferred to the Appeal Committee, which supported the preliminary decision. The Company filed a petition against the appeal decision.

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29. ZAKAT AND INCOME TAXES (CONTINUED)

(a) Zakat status (continued)

During the year, the Company received final assessment from ZATCA for the year 2024 resulting in reversal of prior year zakat accruals, net of related expenses, amounting to SR 247.3 million.

ZATCA has finalized the assessment on the Company's accounts for the years 2019 to 2024.

Certain subsidiaries have also received final or provisional zakat certificates until the year 2024. Also, the Group has pending appeals against additional claims and assessments of certain subsidiaries with total Zakat differences of SR 32.3 million (December 31, 2024: SR 33.2 million).

(b) Income tax status

The Group's foreign subsidiaries are obligated to pay income tax according to the applicable tax laws of their countries of incorporation. 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 obligated 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 income tax departments 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.

30. CONTINGENCIES AND COMMITMENTS

	2025	2024
	Amounts in millions of Saudi Riyals	
Letters of credits	22	21
Bank guarantees	70	78
Commitments to buy raw sugar	212	577
Commitments to sell refined sugar	1,044	1,563
Capital commitments	425	384
	Quantity in Metric tonnes	
Commitments to buy raw sugar	214,884	321,566
Commitments to sell refined sugar	544,259	598,420

30.1 Also see Note 27.4 with respect to guarantees given for certain loans and Note 29 with respect to Zakat contingencies.

30.2 The Group has various leases (short-term leases) for its offices, warehouses, retail outlets and production facilities. Future rental commitments under these operating leases amounting to SR 73.1 million (December 31, 2024: SR 99.5 million).

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31. EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2025 and December 31, 2024 have been computed by dividing the net profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding amounting to 298.589 million (December 31, 2024: 940.287 million) during such periods.

Diluted earnings per share for the year ended December 31, 2025 and December 31, 2024, have been computed by dividing the profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, amounting to 299.257 million (December 31, 2024: 941.578 million).

Weighted average number of ordinary shares for the purpose of computing earnings per share are as follows:

For Basic EPS calculation	2025	2024
Weighted average number of ordinary shares	300,000,000	945,892,713
Effect of treasury shares (note 19)	(1,410,766)	(5,605,425)
Weighted average number of ordinary shares outstanding	<u>298,589,234</u>	<u>940,287,288</u>
	December 31,	December 31,
	2025	2024
	<hr/>	
For Diluted EPS calculation		
Weighted average number of ordinary shares outstanding (for basic EPS)	298,589,234	940,287,288
Effect of shares under employee share-based payment plan (note 19)	667,568	1,290,379
Weighted average number of ordinary shares outstanding	<u>299,256,802</u>	<u>941,577,667</u>

32. RELATED PARTIES

Related parties include the Company's significant shareholders, associates and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's management.

Key management personnel compensation

Compensation to the Group's key management personnel includes short term employee benefits amounting to SR 34.8 million (December 31, 2024: SR 39.7 million), post-employment benefits amounting to SR 4 million (December 31, 2024: SR 1.2 million) and Share-based payments and other related incentives expense amounting to SR 7.7 million (December 31, 2024: SR 46.9 million).

Board of Directors' remuneration for the year ended December 31, 2025 amounting to SR 4.6 million (December 31, 2024: SR 4.6 million) has been calculated in accordance with the Company's By-laws and is charged to the consolidated statement of profit or loss and other comprehensive income. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 3.7 million (December 31, 2024: SR 3.6 million) are charged to expenses and included under administrative expenses.

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32. RELATED PARTIES (CONTINUED)

Other related party transactions

A number of companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on arm's length basis.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within agreed credit period from the date of transaction. None of the balances are secured. No expense has been recognised in the current or prior year for impairment in respect of amounts owed by related parties.

The aggregate value of related parties' transactions and outstanding balances including those related to key management personnel, common directorship and entities over which they have control or significant influence are as follows:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2025	2024	2025	2024
<i>Due from related parties – Prepayments and other receivables</i>						
USCE	Subsidiary	Margin Call / payments on behalf	-	41,353	-	-
<i>Due to related parties – Accrued and other liabilities</i>						
Kinan	Associate	Rental and lease payments	18,213	18,922	-	-
					-	-

33. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Food Processing - includes manufacturing, sale and distribution of Edible oils, Sugar, Pasta, Spices, Nuts, Pulses and other food products.

Retail - includes hyper markets, supermarkets and convenience stores operations.

Food Services - includes food products and fast food restaurants' chain operated by Herfy;

Frozen Food - includes manufacturing, wholesale and retail distribution of frozen food products operated by Good Food Company

Investments - includes real estate activities, investments in equity-accounted investees and other investments.

The segments which do not meet any of the quantitative thresholds for determining reportable segments, are classified as "Others / Eliminations", which mainly include the eliminations.

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33. OPERATING SEGMENTS (CONTINUED)

Performance is measured based on segment profit net of income tax and zakat, as included in the internal management reports. Management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding the results of each reportable segment is included below:

December 31, 2025	Reportable Segments					Others / Eliminations	Total
	Food Processing	Retail	Food Services	Frozen Food	Investments		
External revenues	12,943,321	11,323,231	1,056,653	757,848	-	-	26,081,053
Inter segment revenue	336,529	4,681	25,909	47,149	28,978	(443,246)	-
Segment Revenue (Note 34)	13,279,850	11,327,912	1,082,562	804,997	28,978	(443,246)	26,081,053
Cost of revenues	(11,590,617)	(8,435,273)	(823,964)	(538,776)	(17,174)	413,645	(20,992,159)
Share of results of equity- accounted investees, net of zakat and tax (Note 10)	-	-	-	-	51,775	-	51,775
Finance cost – net (Note 41)	(110,331)	(151,509)	(32,528)	(7,882)	26,725	-	(275,525)
Depreciation and amortisation	(191,949)	(776,319)	(169,639)	(27,302)	(24,813)	-	(1,190,022)
Impairment reversal / (loss), net (Note 40)	-	15,419	(35,031)	-	(5,028)	-	(24,640)
Profit / (loss) from continuing operations	582,735	114,963	(77,478)	45,686	282,178	-	948,084
Loss from discontinued operation	(7,585)	-	-	-	-	-	(7,585)
Segment net profit / (loss) before non-controlling interests	575,150	114,963	(77,478)	45,686	282,178	-	940,499
Segment net profit / (loss)	480,856	114,963	(77,478)	45,686	282,178	28,257	874,462
Investment in equity-accounted Investees	-	-	-	-	435,517	-	435,517
Segment assets	7,717,858	8,635,759	1,578,155	1,168,216	5,734,498	(4,354,433)	20,480,053
Segment liabilities	5,246,369	7,222,174	728,932	404,799	590,447	(178,734)	14,013,987

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33. OPERATING SEGMENTS (CONTINUED)

December 31, 2024	Reportable Segments					Others / Eliminations	Total
	Food Processing	Retail	Food Services	Frozen Food	Investments		
External revenues	10,605,717	10,619,890	1,101,814	718,153	-	-	23,045,574
Inter segment revenue	396,947	4,763	22,955	42,088	28,330	(495,083)	-
Segment Revenue (Note 34)	11,002,664	10,624,653	1,124,769	760,241	28,330	(495,083)	23,045,574
Cost of revenues	(9,331,219)	(7,927,019)	(907,524)	(504,042)	(10,683)	467,583	(18,212,904)
Share of results of equity- accounted investees, net of zakat and tax (Note 10)	3,175	-	-	-	805,460	-	808,635
Finance cost – net (Note 41)	(386,238)	(149,736)	(35,131)	(6,660)	(286,780)	-	(864,545)
Depreciation and amortisation	(185,577)	(685,625)	(176,098)	(33,019)	(19,547)	-	(1,099,866)
Impairment (loss) / reversal, net (Note 40)	(306,801)	16,806	316	(75,871)	(20,854)	-	(386,404)
Gain on distribution of equity accounted investee (Note 16)	-	-	-	-	11,554,662	-	11,554,662
Loss on derecognition of equity accounted investee (Note 1)	(97,185)	-	-	-	(41,816)	-	(139,001)
Profit / (loss) from continuing operations	(242,792)	154,174	(116,524)	(33,046)	11,593,742	-	11,355,554
Loss from discontinued operations (Note 22)	(1,440,202)	-	-	-	-	-	(1,440,202)
Segment net (loss) / profit before non- controlling interests	(1,682,994)	154,174	(116,524)	(33,046)	11,593,742	-	9,915,352
Segment net (loss) / profit	(1,650,958)	154,174	(116,524)	(33,046)	11,593,742	26,878	9,974,266
Investment in equity-accounted Investees	-	-	-	-	409,097	-	409,097
Segment assets	9,217,570	7,723,961	1,717,620	1,084,530	6,130,519	(4,479,958)	21,394,242
Segment liabilities	7,158,223	6,425,314	792,630	323,592	1,261,782	(135,936)	15,825,605

33.1 The Revenue of the Group is contributed by Arabia (which represents GCC and Levant), Egypt and other geographical locations amounting to SR 19.7 billion, SR 5.7 billion and SR 0.7 billion respectively (2024: SR 18.6 billion, SR 3.8 billion and SR 0.6 billion).

33.2 The Non-current assets excluding deferred tax asset and financial assets of the Group is contributed by Arabia (which represents GCC and Levant), Egypt and other geographical locations amounting to SR 10.7 billion, SR 0.2 billion and SR 0.1 billion respectively (2024: SR 9.9 billion, SR 0.4 billion and SR 0.2 billion).

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34. REVENUE

The Group generates revenue primarily from the sale of goods. Other sources of revenue include rental income.

2025	Reportable Segments					Others / Eliminations	Total
	Food Processing	Retail	Food services	Frozen Food	Investments		
Products transferred at a point in time	13,279,850	11,291,604	1,055,731	804,997	-	(443,246)	25,988,936
Products and services transferred over time	-	36,308	26,831	-	28,978	-	92,117
Total revenue	<u>13,279,850</u>	<u>11,327,912</u>	<u>1,082,562</u>	<u>804,997</u>	<u>28,978</u>	<u>(443,246)</u>	<u>26,081,053</u>

2024	Reportable Segments					Others / Eliminations	Total
	Food Processing	Retail	Food services	Frozen Food	Investments		
Products transferred at a point in time	11,002,664	10,596,184	1,098,099	760,241	-	(495,083)	22,962,105
Products and services transferred over time	-	28,469	26,670	-	28,330	-	83,469
Total revenue	<u>11,002,664</u>	<u>10,624,653</u>	<u>1,124,769</u>	<u>760,241</u>	<u>28,330</u>	<u>(495,083)</u>	<u>23,045,574</u>

35. COST OF REVENUES

	2025	2024
Inventories consumed / sold (Note 35.1)	19,081,817	16,365,648
Salaries and employee related expenses	710,521	739,608
Overheads	546,776	512,011
Depreciation and amortisation	390,796	396,149
Freight & handling	262,249	199,488
	<u>20,992,159</u>	<u>18,212,904</u>

35.1 Inventories consumed / sold are net of rebates, commercial and promotional income from retail business.

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36. SELLING AND DISTRIBUTION EXPENSES

	<u>2025</u>	<u>2024</u>
Salaries and employee related expenses (Note 36.1)	1,476,381	1,412,874
Depreciation and amortisation	698,346	605,151
Advertisement	302,690	307,355
Utilities	197,104	190,901
Commission	165,086	153,535
Rent	112,504	59,225
Maintenance	62,057	67,112
Electronic payment commission	55,529	45,016
Insurance	12,775	17,229
Communication	6,543	6,987
Others	110,590	104,764
	<u>3,199,605</u>	<u>2,970,149</u>

36.1 Salaries and wages include depreciation amounting to SR 35.6 million (December 31, 2024: SR 40.8 million) of the employee accommodation and is considered as part of the salaries and employees related expenses.

37. ADMINISTRATIVE EXPENSES

	<u>2025</u>	<u>2024</u>
Salaries and employee related expenses	517,860	543,598
Depreciation and amortisation	65,308	57,770
Professional fees	55,911	52,315
IT related cost	50,920	46,621
Training, subscriptions and conferences	28,670	29,212
Utilities, telephone and communication cost	23,079	22,434
Insurance	21,260	21,291
Traveling	10,371	10,667
Repairs and maintenance	6,696	8,608
Rent	8,412	6,130
Withholding tax expense	4,109	31,727
Others	27,612	71,350
	<u>820,208</u>	<u>901,723</u>

38. OTHER OPERATING INCOME / (EXPENSE), NET

	<u>2025</u>	<u>2024</u>
Scrap Sales	19,942	20,596
Gain on re-measurement of other commodity futures	18,214	10,659
Loss on disposal / write-off of property, plant and equipment and software	(11,065)	(1,045)
Loss on FVTPL investments	(4,764)	(18,496)
Other income / (expense) (Note 38.1)	69,505	(10,674)
	<u>91,832</u>	<u>1,040</u>

38.1 This include reversal of certain accruals as the related obligations are no longer expected to result in an outflow.

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39. HYPERINFLATIONARY ACCOUNTING

The Group closely monitors the economic conditions for its foreign operations including qualitative consideration prescribed in IAS 29 – Financial Reporting in Hyperinflationary Economies. The Group uses available official statistics or other reliable information sources to estimate the impact of hyperinflation.

Accordingly, during the year ended December 31, 2025 and 2024 the Group's foreign operations in Iran (Note 22), Sudan (Note 22) and Turkey (Note 22) were subject to hyperinflation and reported amounts of the local operations have been adjusted in accordance with IAS 29. The official statistics published for Iran, Sudan and Turkey have been used to estimate the hyperinflation accounting impact recorded during the year ended December 31, 2025 and 2024.

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

	<u>Iran</u>	<u>Sudan</u>	<u>Turkey</u>	<u>Total</u>
<u>Year ended December 31, 2025</u>				
Revenue increased by	-	-	52,533	52,533
Profit for the year increased by	-	-	3,030	3,030
Net monetary gain	-	-	19,707	19,707
Total non-current assets increased by	-	-	19,380	19,380
Currency translation differences impacted by	-	-	1,967	1,967
<u>Year ended December 31, 2024</u>				
Revenue (decreased) / increased by	(687,359)	(11,131)	91,642	(606,848)
Profit for the year (decreased) / increased by	(51,714)	(15,438)	121	(67,031)
Net monetary (loss) / gain	(5,391)	(12,992)	8,566	(9,817)
Total non-current assets (decreased) / increased by	(121,213)	(39,101)	8,478	(151,836)
Currency translation differences impacted by	(84,962)	(24,482)	8,084	(101,360)

The conversion factors used for the CPI adjustment for the year ended are given below:

	<u>2025</u>	<u>2024</u>
Conversion factor for Iran	-	1.3180
Conversion factor for Sudan	-	1.0815
Conversion factor for Turkey	1.3089	1.4438

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40. IMPAIRMENT LOSS

Impairment loss has been allocated as follows:

	2025	2024
Property, plant and equipment	(34,602)	(117,948)
Right-of-use assets	10,062	(18,196)
Intangible assets and goodwill	(100)	(254,265)
	(24,640)	(390,409)
Discontinued operations	-	(4,005)
Continuing operations	(24,640)	(386,404)

The Group reviews the carrying amounts of its non-financial assets including goodwill to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is established based on the estimated future cash flows on the basis of budget after excluding impact of future renovation, using growth rates, terminal value percentages and discounting to their present value using pre-tax discount rates as mentioned below.

The cash flow projections included estimates for certain years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Following are the details of the impairment assessment carried out in retail segment:

Key assumptions used for determination of value in use except for freehold land:

Cash flow projections were prepared using budgeted earnings before interest, zakat, depreciation and amortisation (EBITDA) taking into account past experience, and following factors: (i) Estimated revenue and EBITDA growth for future five years based on expected sales volume and price growth for these years. (ii) Estimated improvement in gross margins and EBITDA as a result of improvement plans currently being carried out by the Group.

The cash flows were discounted using a post-tax discount rate which was estimated using industry average weighted-average cost of capital and cost of debt, with a target debt to equity ratio of 73.1% (December 31, 2024: 61.7%) at a post Zakat cost of debt of 5.3% (December 31, 2024: 5.6%).

a) *Impairment reversal on recoverable amount of non-current assets excluding freehold land:*

During the year, the Group has recognised an impairment reversal of SR 10.8 million (December 31, 2024: impairment loss of SR 11.2 million) against right-of-use assets; impairment loss of SR 1.9 million (December 31, 2024: impairment reversal of SR 9.1 million) against items of property, plant and equipment; and, impairment loss of SR 0.1 million (December 31, 2024: impairment reversal of SR 0.7 million) against intangible assets, due to changes in economic environment affecting footfall and basket size in retail segment.

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40. IMPAIRMENT LOSS (CONTINUED)

- a) *Impairment reversal on recoverable amount of non-current assets excluding freehold land: (continued)*

The recoverable amount is based on “value-in-use” method and was determined at the level of cash generating unit (“CGU”) as identified by management and consists of the net operating assets of each store. In determining value in use for the CGUs, the cash flows (determined using approved business plan and budget) were discounted at a rate of 11.2% to 12.4% (December 31, 2024: 12.1% to 13.3%) on a post-Zakat basis and were projected up to the year 2030. Fair value less costs to sell was used as the basis to determine recoverable amount for two owned stores.

The key assumptions used for determination of recoverable amounts are as follows:

	<u>2025</u>	<u>2024</u>
Budgeted gross margin	24.9% to 24.5%	25.3% to 26.5%
Revenue growth rate	Up to 2.6%	2.0% to 4.3%
Operating expenses as percentage of sale	16.3% to 16.8%	17.5% to 19.0%
Budgeted EBITDA margins	8.6% to 7.7%	7.5% to 7.8%
Discount rate	11.2% to 12.4%	12.1% to 13.3%
Terminal growth value	2.0%	2.0%

The recoverable amount of the CGU’s estimated based on value in use exceeded their carrying amount by approximately SR 5,647 million (December 31, 2024: SR 4,974 million) on a gross basis. Management has identified that a reasonably possible change in the following three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the three individual assumptions that need to be applied individually for the estimated recoverable amount to be equal to the carrying amount.

	<u>Assumption required for carrying amount to equal recoverable amount</u>	
	<u>2025</u>	<u>2024</u>
Revenue growth	(17.4%)	(11.4%)
EBITDA margin	4.4%	4.2%
Discount rate	37.9%	38.5%

- b) *Impairment reversal on recoverable amount of freehold land parcels:*

The Group recognized an impairment loss of SR 6.6 million (2024: SR 37.8 million) on freehold lands, due to favorable changes in market dynamics.

The recoverable amount is estimated by two independent experts and is based on “comparable” method (VIU or FVLCS) and was determined at the level of individual assets as identified by management i.e. the CGU. In determining market value, properties with similar characteristics in the same market area that have recently been sold were selected. Once those properties were found, they were compared to the properties in question and an adjustment in value was made for comparative deficiencies and advantages.

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40. IMPAIRMENT LOSS (CONTINUED)

c) *Impairment loss on goodwill:*

During the year, no impairment loss was recognised on the goodwill of Giant. The key assumptions used for determination of recoverable amounts are as follows:

	<u>2025</u>	<u>2024</u>
Revenue growth rate	0.1% to 0.9%	0.5% to 2.0%
Budgeted Gross margins	25.9% to 25.4%	26.8% to 28.2%
Operating expenses as percentage of sales	15.3% to 14.4%	18.3% to 18.4%
EBITDA margins	10.6% to 10.9%	8.5% to 9.8%
Discount rate	10.9%	11.8%
Terminal growth value	2.0%	2.0%

The calculation of value in use is most sensitive to the assumptions on revenue growth rate, EBITDA margins, and discount rate used to extrapolate cash flows beyond the budget period of 5 years.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately SR 694.9 million (December 31, 2024: SR 643.3 million). The following table shows the three assumptions that need to be applied individually for the estimated recoverable amount to be equal to the carrying amount:

	<u>Assumption to be applied for carrying amount to equal recoverable amount</u>	
	<u>2025</u>	<u>2024</u>
Revenue growth	(7.8%)	(7.2%)
EBITDA margin	1.3%	1.5%
Discount rate	41.4%	44.2%

Following are the details of the impairment assessment carried out in Foods Processing:

a) *Impairment loss on goodwill:*

Bayara FZE Limited:

During the year ended December 31, 2025, no impairment loss (2024: SR 132.5 million) has been recognised, on the goodwill of Bayara Holding Company, based on determination of recoverable value, where the fair value was estimated using discounted cashflows model. The significant assumptions used are as follows:

	<u>2025</u>	<u>2024</u>
Budgeted EBITDA margins	15.8%	12% to 13%
Discount rate	12.6%	12% to 14.5%
Terminal growth value	2.1%	2.1%

Furthermore, during 2024, an impairment loss amounting to SR 19.9 million was recognised on the customer relationship on account of a key customer.

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40. IMPAIRMENT LOSS (CONTINUED)

El Maleka for Food Industries Company:

During the year 2024, the goodwill of El Maleka for Food Industries Company was fully impaired amounting to SR 21.4 million, based on determination of recoverable value, where the fair value was estimated using discounted cashflows model. The significant assumptions used are as follows:

	<u>2024</u>
Budgeted EBITDA margins	7.56%
Discount rate	24.5%
Terminal growth value	5%

b) Impairment loss on recoverable amount of non-current assets excluding freehold land:

Impairment loss / reversal recognised during the year ended December 31, 2024:

International Foods Industries Company Limited ("IFI"):

During the year 2024, an impairment loss of SR 103.9 million was recognised, on the property, plant and equipment of IFI, based on determination of recoverable value, where the fair value was estimated using discounted cashflows model. The significant assumptions used were as follows:

	<u>2024</u>
Budgeted EBITDA margins	6.04%
Discount rate	12%
Terminal growth value	2.8%

Savola Snacks:

During the year 2024, an impairment loss amounting to SR 29.2 million was recognised, on the property, plant and equipment of Savola Snacks, based on determination of recoverable value, where the fair value was estimated using discounted cashflows model. The significant assumptions used were as follows:

	<u>2024</u>
Budgeted EBITDA margins	9.87%
Discount rate	27%
Terminal growth value	4x FY 2030 EBITDA

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40. IMPAIRMENT LOSS (CONTINUED)

Following are the details of the impairment assessment carried out in Frozen Food:

a) Impairment loss on Brands with indefinite useful life:

During the year ended December 31, 2025, no impairment loss (December 31, 2024: 75.9 million) has been recognised, on the Brands with indefinite useful life of Frozen Food segment, using Royalty method, based on the hypothetical royalties that would be saved by owning the asset rather than licensing it from a third party. The significant assumptions used are as follows:

	<u>2025</u>	<u>2024</u>
Market Share	11.4%	10.8%
Discount rate	10.6%	11%
Royalty Savings	4.47%	4.47%

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately SR 34.5 million. The following table shows the three assumptions that need to be applied individually for the estimated recoverable amount to be equal to the carrying amount:

	<u>Assumption to be applied for carrying amount to equal recoverable amount</u>
	<u>2025</u>
Market Share	9.6%
Discount rate	12.2%
Royalty Savings	3.74%

Following are the details of the impairment assessment carried out in Food Services segment:

The Company held non-current assets related to a property leased from a government authority. Following delays in achieving operational readiness and the subsequent rejection of the corrective plan by the authority, management assessed that the recoverable amount of the related non-current assets was minimal. Accordingly, the Group has recognised an impairment loss of SR 35.7 million against items of property, plant and equipment and impairment loss of SR 0.5 million against items of right-of-use assets.

Further, during the year, the Company also recognised a net impairment reversal of SR 1.2 million against other items of property, plant and equipment.

Following are the details of the impairment assessment carried out in Investments segment:

During the year, the Group has recognised an impairment loss of SR 4.8 million (December 31, 2024: 13.6 million) against items of property, plant and equipment and impairment loss of SR 0.2 million (December 31, 2024: SR 6.9 million) against items of right-of-use assets.

Key assumptions used for determination of value in use except for freehold land:

Cash flow projections were prepared using forecasted rental revenues and related expenses taking into account past experience, and following factors:

- (i) Estimated rental income and projected growth of rental income
- (ii) Estimated operating expenses and projected growth of operating expenses
- (iii) Contractual rent expense till the end of contract for lease of land

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40. IMPAIRMENT LOSS (CONTINUED)

These cash flows were discounted using a pre-tax discount rate which was estimated using following factors:

- Return on treasury bonds
- Inflation rate
- Market risk premium
- Specific property risk

In determining value in use for the CGUs, the cash flows were discounted using pre-zakat discount rate and were projected till year 2036. The key assumptions used for determination of value in use are as follows:

	<u>2025</u>	<u>2024</u>
Rental income growth rates	1%	2%
Operating expenses growth rate	1%	1%
Discount rate	10%	10%
Terminal growth value	2%	2%

Fair value less costs to sell was used as the basis to determine recoverable amount for all CGUs except for one CGU where Value in use was used to determine the recoverable amount.

41. NET FINANCE COSTS

	<u>2025</u>	<u>2024</u>
Commission income on bank deposits	145,677	128,506
Settlement discount	9,875	-
Gain on settlement of put liability	49,695	-
Finance income	<u>205,247</u>	<u>128,506</u>
Financial charges on borrowings (Note 21.3)	(231,851)	(527,443)
Interest expense on lease liabilities (Note 23.2)	(219,384)	(200,368)
Bank commission	(14,188)	(14,695)
Foreign exchange loss, net	(9,539)	(139,454)
Negative fair value of options	-	(106,575)
Unwinding of discount on site restoration (Note 25)	(5,810)	(4,516)
Finance costs	<u>(480,772)</u>	<u>(993,051)</u>
Net finance costs recognized in profit or loss	<u>(275,525)</u>	<u>(864,545)</u>

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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 uses derivative financial instruments to hedge certain risk exposures.

Risk management framework

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 market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, term deposits, trade and other receivables, investments measured at fair value, loans and borrowings, lease liabilities, derivatives, trade payables and accrued and other 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 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk

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 borrowings and short-term deposits, which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Market risk (continued)

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	<u>2025</u>	<u>2024</u>
Fixed rate instruments		
Financial assets	<u>665,533</u>	<u>1,560,673</u>
Financial liabilities	<u>437,403</u>	<u>1,697,974</u>
Variable rate instruments		
Financial assets	<u>219,455</u>	<u>232,090</u>
Financial liabilities	<u>1,456,521</u>	<u>1,705,603</u>

The fair value of fixed rate financial liabilities amounted to SR 306 million (2024: SR 1,591 million).

Sensitivity analysis for variable rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 12.3 million (2024: SR 14.8 million).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Egyptian Pounds, United Arab Emirates Dirhams, Sudanese Pounds and Turkish Lira. The Group operates internationally and is exposed to foreign exchange risk. The Group's 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 foreign currencies against Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Such fluctuations are recorded as a separate component of equity "Foreign Currency Translation Reserve" in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowings. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Currency risk (continued)

Following is the significant gross financial position exposure (in thousands) classified into separate foreign currencies:

	December 31, 2025				United Arab Emirates Dirhams
	US Dollars	Egyptian Pounds	Sudanese Pounds	Turkish Lira	
Trade receivables	30,317	3,371,522	-	-	278,792
Other receivables	20,375	1,273,575	-	-	24,211
Cash and bank balances	34,144	2,081,519	-	-	37,142
	84,836	6,726,616	-	-	340,145
Trade payables	31,501	848,278	-	-	89,376
Other payables	44,782	4,619,334	-	-	66,396
Loans and borrowings	23,625	8,670,320	-	-	143,321
	99,908	14,137,932	-	-	299,093
Net exposure	(15,072)	(7,411,316)	-	-	41,052
	December 31, 2024				United Arab Emirates Dirhams
	US Dollars	Egyptian Pounds	Sudanese Pounds	Turkish Lira	
Trade receivables	42,489	3,589,006	-	1,098,864	226,733
Other receivables	13,693	1,636,418	130,223	411,701	31,268
Cash and bank balances	78,149	7,430,942	4,487,471	42,795	38,586
	134,331	12,656,366	4,617,694	1,553,360	296,587
Trade payables	31,082	1,078,324	217,911	338,783	84,026
Other payables	49,622	4,862,373	6,446,482	212,740	65,537
Loans and borrowings	52,642	10,236,009	10,122,599	1,627,609	70,577
	133,346	16,176,706	16,786,992	2,179,132	220,140
Net exposure	985	(3,520,340)	(12,169,298)	(625,772)	76,447

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Currency risk (continued)

Significant exchange rates applied during the year were as follows:

	Average rate		Spot rate	
	For the year ended		As of December 31,	
	December 31, 2025	2024	2025	2024
Foreign currency per Saudi Riyal				
US Dollars	0.27	0.27	0.27	0.27
Egyptian Pounds	13.11	12.16	12.73	13.56
Sudanese Pounds	-	542.86	-	662.67
Turkish Lira	10.81	8.80	11.43	9.39
United Arab Emirates Dirhams	0.98	0.98	0.98	0.98

The Group's investments in foreign subsidiaries are not hedged.

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase equity and profit before zakat and income tax for the year by SR 9.9 million (2024: SR 3.6 million).

31 December 2025	Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening
US Dollars (1% movement)	(558)	558	-	-
Egyptian Pounds (1% movement)	(5,822)	5,822	(11,308)	11,308
United Arab Emirates Dirhams (1% movement)	419	(419)	-	-
31 December 2024				
	Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening
US Dollars (1% movement)	36	(36)	-	-
Egyptian Pounds (1% movement)	(2,895)	2,895	(4,346)	4,346
Sudanese Pounds (1% movement)	(283)	283	(1,930)	1,930
Turkish Lira (1% movement)	(1,375)	1,375	30	(30)
United Arab Emirates Dirhams (1% movement)	781	(781)	-	-

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 since the Group holds investment in certain listed equities which are classified on the statement of financial position as FVOCI investments. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Such investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. In addition, United Sugar Company uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Price risk (continued)

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in Note 11 to these consolidated financial statements. As of December 31, 2025, the Company's overall exposure to price risk is limited to the fair value of those positions.

Sensitivity analysis

The net assets of the Group will increase / (decrease) by SR 1.8 million (2024: SR 3.5 million) if the prices of equity securities vary due to increase / decrease in fair values by 1% with all other factors held constant.

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. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers whereby the customers are grouped according to their credit characteristics, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

The Group's maximum exposure to credit risk at the reporting date is as follows:

	<u>2025</u>	<u>2024</u>
Financial assets		
Trade receivables	2,045,098	2,116,034
Other receivables	543,999	647,590
Derivatives	187,595	144,377
Bank balances (Cash and cash equivalents and term deposits)	934,992	2,761,637
	<u>3,711,684</u>	<u>5,669,638</u>

Maximum credit exposure with respect to financial guarantees equals the loan facilities.

Trade receivables are carried net of allowance for Expected Credit Losses amounting to SR 188.4 million (December 31, 2024: SR 159.1 million).

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Credit risk (continued)

The following table provides information about the exposure to credit risk for receivables as of December 31:

	December 31, 2025		
	Weighted average loss rate	Gross carrying amounts	Loss amount
Current (not past due)	0.16%	1,397,196	2,238
1–30 days past due	1.14%	232,356	2,646
31–60 days past due	4.63%	19,863	919
61–90 days past due	5.76%	133,875	7,717
More than 90 days past due	66.80%	261,808	174,881
Total		2,045,098	188,401
	December 31, 2024		
	Weighted average loss rate	Gross carrying amounts	Loss amount
Current (not past due)	0.58%	1,559,393	9,034
1–30 days past due	0.85%	267,156	2,269
31–60 days past due	3.24%	61,752	2,001
61–90 days past due	11.81%	20,081	2,372
More than 90 days past due	69.06%	207,652	143,406
Total		2,116,034	159,082

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Other receivables

Impairment on other receivables has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures having low credit risk.

Cash and cash equivalents

Impairment on cash and cash equivalents and term deposits has been measured on a life-time expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents and term deposits have low credit risk based on the external credit ratings of the counterparties.

Cash and cash equivalents, term deposits and derivative financial instruments include balances which are held with banks with sound credit ratings ranging from AA- to B.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Concentration Risk

The sector wise analysis of receivables is given below:

	<u>2025</u>	<u>2024</u>
Wholesale / Retail	1,115,603	1,331,115
Manufacturing	428,463	356,978
Exports	253,554	243,308
Others	247,478	184,633
	2,045,098	2,116,034
Less: Allowance for Expected Credit Losses	(188,401)	(159,082)
	1,856,697	1,956,952

The maximum exposure to credit risk for receivable by geographic region is as follows:

	<u>2025</u>	<u>2024</u>
Saudi Arabia	1,345,906	1,354,755
Turkey	-	135,692
Egypt	379,969	302,145
UAE	280,941	279,057
Other Regions	38,282	44,385
	2,045,098	2,116,034
Less: Allowance for Expected Credit Losses	(188,401)	(159,082)
	1,856,697	1,956,952

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.

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. At December 31, 2025, the Group has a net current liability position. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements. As at December 31, 2025, the Group has unused bank financing facilities amounting to SR 5.3 billion (December 31, 2024: SR 5.3 billion) to manage the short term and the long-term liquidity requirements.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Liquidity risk (continued)

December 31, 2025	Carrying Amount	Contractual cash flows				
		Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	1,893,924	1,904,946	5,887	-	-	-
Lease liabilities	3,952,231	348,956	356,218	1,716,176	1,008,221	1,656,589
Trade payables	3,915,807	3,915,807	-	-	-	-
Accrued and other liabilities	2,654,018	2,654,018	-	-	-	-
	12,415,980	8,823,727	362,105	1,716,176	1,008,221	1,656,589
<i>Derivative financial liabilities</i>						
Derivative contracts used for hedging	97,892	73,120	23,902	870	-	-
Options	143	143	-	-	-	-
	98,035	73,263	23,902	870	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

December 31, 2024	Carrying Amount	Contractual cash flows				
		Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	3,403,577	1,390,782	2,099,514	36,115	2,753	-
Lease liabilities	3,593,097	292,976	340,259	1,254,499	867,438	1,842,293
Trade payables	3,679,328	3,679,328	-	-	-	-
Put liability	343,328	-	343,328	-	-	-
Accrued and other liabilities	2,728,338	2,728,338	-	-	-	-
	13,747,668	8,091,424	2,783,101	1,290,614	870,191	1,842,293
<i>Derivative financial liabilities</i>						
Derivative contracts used for hedging	137,080	126,959	9,975	146	-	-
Firm commitments	14,491	14,355	136	-	-	-
	151,571	141,314	10,111	146	-	-

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques that maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Fair value of assets and liabilities (continued)

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI investments, FVTPL investments, inventory and firm commitments under fair value relationships, 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.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Fair Value						Total
	Mandator- ily at FVTPL -others	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	
Financial assets							
measured at fair value							
Investment at fair value through profit or loss (Note 11)	32,305	-	-	28,738	-	3,567	32,305
Future exchange contracts and options used for hedging	-	187,595	-	187,595	-	-	187,595
Investment at fair value through other comprehensive income (Note 11)	-	-	151,551	100,637	30,962	19,952	151,551
	32,305	187,595	151,551	316,970	30,962	23,519	371,451
Financial liabilities							
measured at fair value							
Future exchange contracts and options used for hedging	-	97,892	-	97,892	-	-	97,892
Options	-	143	-	143	-	-	143
	-	98,035	-	98,035	-	-	98,035

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Fair value of assets and liabilities (continued)

December 31, 2024	Fair Value						Total
	Mandator- ily at FVTPL -others	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	
<i>Financial assets measured at fair value</i>							
Investment at fair value through profit or loss (Note 11)	115,986	-	-	111,612	-	4,374	115,986
Future exchange contracts and options used for hedging	-	144,377	-	144,377	-	-	144,377
Investment at fair value through other comprehensive income (Note 11)	-	-	229,879	129,590	58,643	41,646	229,879
	<u>115,986</u>	<u>144,377</u>	<u>229,879</u>	<u>385,579</u>	<u>58,643</u>	<u>46,020</u>	<u>490,242</u>
<i>Financial liabilities measured at fair value</i>							
Future exchange contracts and options used for hedging	-	151,571	-	151,571	-	-	151,571
	<u>-</u>	<u>151,571</u>	<u>-</u>	<u>151,571</u>	<u>-</u>	<u>-</u>	<u>151,571</u>

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 3 recurring fair values (reconciliation of Level 3 fair values)

The net change in the level 3 recurring fair value financial assets is SR 22.5 million (December 31, 2024: SR 17.1 million).

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair value, as well as significant unobservable input used.

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

Financial instruments measured at fair value

Type	Valuation technique	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Equity securities	Market comparison technique. PE multiple, Price to Book value.	Price Earnings Multiples, Discount factor, Price to Book value and Price to Tangible Book Value.	Not applicable
Commodity future and options	Intercontinental Exchange (ICE)	Not applicable	Not applicable

The fair value of future contracts that are not traded in an active market (e.g. over-the-counter derivatives) are determined using valuation techniques that maximise the use of observable market data which is received via broker quotes and rely as little as possible on entity-specific estimates.

The fair value of future contracts that are traded in an active market (e.g. ICE No.11 contract and London No.5) are determined using active rates for futures commodity contracts.

43. NON-CASH TRANSACTIONS

Supplemental schedule of non-cash financial information:	2025	2024
Other reserves	(85,029)	(79,909)
Foreign currency translation reserve	76,868	(613,642)
Actuarial reserve	18,994	62,891
Addition to right-of-use assets	894,536	580,888
Addition to lease liabilities	894,536	586,824

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44. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a leverage ratio, which is calculated as total liabilities (as shown in the statement of financial position) less Cash and cash equivalents.

Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserves. The leverage ratio is as follows:

	<u>2025</u>	<u>2024</u>
Total liabilities	14,013,987	15,825,605
Less: Cash and cash equivalents	(904,137)	(2,235,328)
Adjusted net debt	13,109,850	13,590,277
Total equity	6,466,066	5,568,637
Hedging reserve (Note 18)	6,486	2,629
Adjusted equity	6,472,552	5,571,266
Adjusted net debt to adjusted equity ratio	2.03	2.44

45. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in Note 16 and Note 22, there are no subsequent events that require disclosure in or adjustments to the consolidated financial statements.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Company's Board of Directors on March 5, 2026, corresponding to 16 Ramadan 1447H.

