

**SAVOLA GROUP COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS - (UNAUDITED)**

For the three-month and nine-month periods ended September 30, 2020  
together with the Independent Auditors' Review Report

**SAVOLA GROUP COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)**  
For the three-month and nine-month periods ended September 30, 2020

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# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Savola Group Company

## Introduction

We have reviewed the accompanying September 30, 2020 condensed consolidated interim financial statements of Savola Group Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at September 30, 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended September 30, 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended September 30, 2020; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2020 condensed consolidated interim financial statements of **Savola Group Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**KPMG Al Fozan & Partners**  
**Certified Public Accountants**

Ebrahim Oboud Baeshen  
License No. 382



Jeddah, Rabi Al Awal 12, 1442H  
Corresponding to October 29, 2020

**SAVOLA GROUP COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>			
Property, plant and equipment		6,360,239	6,512,256
Right-of-use assets		4,084,133	4,319,670
Intangible assets and goodwill		818,988	831,596
Investment property		27,406	29,881
Investment in equity accounted investees	4	8,908,234	8,625,047
Investments at fair value through other comprehensive income	5	423,062	347,590
Long term receivables		7,522	7,268
Derivative		1,344	1,999
Deferred tax asset		11,989	12,480
<b>Total non-current assets</b>		<b>20,642,917</b>	<b>20,687,787</b>
Inventories		3,195,542	2,752,020
Trade receivables		1,125,608	1,190,657
Prepayments and other receivables		1,099,656	1,060,195
Investments at fair value through profit or loss	5	72,567	26,516
Cash and cash equivalents		1,068,672	940,536
<b>Total current assets</b>		<b>6,562,045</b>	<b>5,969,924</b>
<b>TOTAL ASSETS</b>		<b>27,204,962</b>	<b>26,657,711</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	6	5,339,807	5,339,807
Shares held under employees' share based payment plan	8	(16,509)	--
Share premium		342,974	342,974
Statutory reserve	7	1,774,085	1,774,085
General reserve		4,000	4,000
Other reserves		(86,726)	(179,230)
Effect of transactions with non-controlling interests without change in control		(187,979)	(187,979)
Foreign currency translation reserve		(1,949,228)	(1,792,396)
Retained earnings		2,944,227	2,288,979
<b>Equity attributable to owners of the Company</b>		<b>8,164,651</b>	<b>7,590,240</b>
Non-controlling interests		938,521	948,830
<b>TOTAL EQUITY</b>		<b>9,103,172</b>	<b>8,539,070</b>
<b>LIABILITIES</b>			
Loans and borrowings	9	3,624,620	3,905,245
Lease liabilities		3,845,910	3,955,686
Employee benefits		820,565	747,201
Long term payables		249,456	204,146
Derivative		186,462	188,094
Provision against asset restoration		141,305	139,609
Deferred tax liability		122,424	114,745
<b>Total non-current liabilities</b>		<b>8,990,742</b>	<b>9,254,726</b>
Loans and borrowings	9	3,587,968	3,639,250
Lease liabilities		644,533	676,840
Trade payables		2,518,882	2,304,872
Accrued and other liabilities		2,359,665	2,242,953
<b>Total current liabilities</b>		<b>9,111,048</b>	<b>8,863,915</b>
<b>TOTAL LIABILITIES</b>		<b>18,101,790</b>	<b>18,118,641</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>27,204,962</b>	<b>26,657,711</b>

The accompanying notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

**SAVOLA GROUP COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	<b>Three-month period ended September 30</b>		<b>Nine-month period ended September 30</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenues	14	<b>4,587,276</b>	5,148,132	<b>16,517,236</b>	16,174,691
Cost of revenues	14	<b>(3,522,843)</b>	(4,063,954)	<b>(12,951,123)</b>	(12,861,887)
<b>Gross profit</b>		<b>1,064,433</b>	1,084,178	<b>3,566,113</b>	3,312,804
Share of results in investment in equity-accounted investees, net of zakat and tax		<b>224,694</b>	215,499	<b>580,773</b>	538,558
Administrative expenses		<b>(187,075)</b>	(207,472)	<b>(610,368)</b>	(616,056)
Selling and distribution expenses		<b>(662,795)</b>	(665,102)	<b>(2,104,192)</b>	(2,238,691)
<b>Results from operating activities</b>		<b>439,257</b>	427,103	<b>1,432,326</b>	996,615
Finance income		<b>6,504</b>	8,807	<b>34,334</b>	28,362
Finance cost		<b>(123,995)</b>	(162,481)	<b>(449,854)</b>	(559,393)
<b>Net finance cost</b>		<b>(117,491)</b>	(153,674)	<b>(415,520)</b>	(531,031)
Reversal of provision no longer required	10	<b>21,003</b>	21,170	<b>21,003</b>	71,436
<b>Profit before zakat and income tax</b>		<b>342,769</b>	294,599	<b>1,037,809</b>	537,020
Zakat and income tax expense	10	<b>(18,861)</b>	(19,868)	<b>(82,248)</b>	(65,101)
<b>Profit for the period</b>		<b>323,908</b>	274,731	<b>955,561</b>	471,919
<b>Other Comprehensive Income</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Re-measurements of defined benefit liability		--	--	<b>(53,068)</b>	--
Investments at fair value through other comprehensive income - net change in fair value		<b>109,842</b>	(3,854)	<b>75,472</b>	26,690
<i>Items that are or may be reclassified to profit or loss</i>					
Foreign operations - foreign currency translation differences		<b>39,406</b>	(737)	<b>(185,600)</b>	(39,446)
Investment in equity accounted investees - share of other comprehensive income		<b>25,458</b>	(2,324)	<b>13,920</b>	(8,380)
Cash flow hedges - effective portion of changes in fair value		<b>9,320</b>	(678)	<b>4,314</b>	(1,829)
<b>Other comprehensive income / (loss)</b>		<b>184,026</b>	(7,593)	<b>(144,962)</b>	(22,965)
<b>Total comprehensive income for the period</b>		<b>507,934</b>	267,138	<b>810,599</b>	448,954

The accompanying notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

**SAVOLA GROUP COMPANY**  
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (UNAUDITED) (CONTINUED)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	<b>Three-month period ended September 30</b>		<b>Nine-month period ended September 30</b>	
		<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Profit for the period</b>					
<b>attributable to:</b>					
Owners of the Company		<b>283,744</b>	221,756	<b>866,075</b>	338,316
Non-controlling interests		<b>40,164</b>	52,975	<b>89,486</b>	133,603
<b>Profit for the period</b>		<b><u>323,908</u></b>	<b><u>274,731</u></b>	<b><u>955,561</u></b>	<b><u>471,919</u></b>
<b>Total comprehensive income</b>					
<b>for the period attributable to:</b>					
Owners of the Company		<b>456,802</b>	216,063	<b>750,788</b>	326,425
Non-controlling interests		<b>51,132</b>	51,075	<b>59,811</b>	122,529
<b>Total comprehensive income</b>					
<b>for the period</b>		<b><u>507,934</u></b>	<b><u>267,138</u></b>	<b><u>810,599</u></b>	<b><u>448,954</u></b>
<b>Earnings per share attributable</b>					
<b>to the Owners of the Company</b>					
<b>(in Saudi Riyals):</b>					
Basic and diluted	12	<b><u>0.53</u></b>	<u>0.41</u>	<b><u>1.62</u></b>	<u>0.63</u>

The accompanying notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
(Expressed in thousands of Saudi Riyal unless otherwise stated)

The accompanying notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

**SAVOLA GROUP COMPANY**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

Equity attributable to the Owners of the Company										
	Effect of									
	Share capital	Share premium	Statutory reserve	General reserve	Other reserves	transactions with non-controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests
Total equity										
Balance at January 1, 2019	5,339,807	342,974	1,774,085	4,000	(198,084)	(187,979)	(1,744,616)	1,797,256	7,127,443	894,498
8,021,941										
<u>Total comprehensive income / (loss) for the period</u>										
Profit for the period	--	--	--	--	--	--	--	338,316	338,316	133,603
471,919										
Other comprehensive income / (loss)	--	--	--	--	16,481	--	(28,372)	--	(11,891)	(11,074)
(22,965)										
	--	--	--	--	16,481	--	(28,372)	338,316	326,425	122,529
448,954										
Dividends	--	--	--	--	--	--	--	--	--	(93,313)
(93,313)										
Balance at September 30, 2019	5,339,807	342,974	1,774,085	4,000	(181,603)	(187,979)	(1,772,988)	2,135,572	7,453,868	923,714
8,377,582										

The accompanying notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.



**SAVOLA GROUP COMPANY**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Profit for the period	955,561	471,919
Adjustments for:		
Depreciation and amortisation	858,089	895,663
Net finance cost	415,520	531,031
Share of results in investment in equity accounted investees, net of zakat and tax	(580,773)	(538,558)
Share based payment expense	326	--
Reversal of provision no longer required	(21,003)	(71,436)
Loss / (gain) on sale of property, plant and equipment	2,175	(4,089)
Zakat and income tax expense	82,248	65,101
	<u>1,712,143</u>	<u>1,349,631</u>
<b>Changes in:</b>		
Inventories	(615,843)	(300,496)
Trade receivables	(24,746)	(54,386)
Prepayments and other receivables	(106,088)	(480,151)
Trade payables	337,229	(45,190)
Employee benefits	28,918	17,530
Accrued and other liabilities	113,531	397,712
<b>Cash generated from operating activities</b>	<u>1,445,144</u>	<u>884,650</u>
Finance cost paid	(195,506)	(330,166)
Zakat and income tax paid	(114,400)	(57,526)
<b>Net cash from operating activities</b>	<u>1,135,238</u>	<u>496,958</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(288,105)	(218,440)
Proceeds from sale of property, plant and equipment	4,580	13,749
Net investment in FVTPL investments	(46,051)	(10,436)
Proceeds from investments	11,368	--
Dividends received	306,098	293,436
<b>Net cash (used in) / generated from investing activities</b>	<u>(12,110)</u>	<u>78,309</u>
<b>Cash flows from financing activities</b>		
Net change in loans and borrowings - current	67,690	(589,107)
Net change in loans and borrowings - non-current	(283,484)	799,108
Dividends paid	(159,119)	(929)
Payment of lease liabilities	(460,005)	(521,826)
Net changes in non-controlling interests	(70,120)	(93,313)
Purchase of shares held under employees' share based payment plan (Note 8)	(16,509)	--
<b>Net cash used in financing activities</b>	<u>(921,547)</u>	<u>(406,067)</u>

The accompanying notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)**  
**(Expressed in thousands of Saudi Riyal unless otherwise stated)**

	<b>September 30, 2020</b>	<b>September 30, 2019</b>
<b>Net change in cash and cash equivalents</b>	<b>201,581</b>	<b>169,200</b>
Effect of movement in exchange rates on cash and cash equivalents	<b>(73,445)</b>	<b>(47,370)</b>
Cash and cash equivalents at beginning of the period	<b>940,536</b>	<b>901,573</b>
<b>Cash and cash equivalents at end of the period - for cash flow purposes</b>	<b>1,068,672</b>	<b>1,023,403</b>
<b>Supplemental schedule of non-cash financial information:</b>		
Fair value reserve	<b>93,706</b>	<b>16,481</b>
Foreign currency translation reserve	<b>(185,600)</b>	<b>(39,446)</b>
Actuarial reserve	<b>(53,068)</b>	<b>--</b>

The accompanying notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(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 number M/21 dated Rabi-ul-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 condensed consolidated interim 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"), collectively involved in the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

At September 30, 2020, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

**(I) Direct subsidiaries of the Company**

**i) Operating subsidiaries**

<u><b>Subsidiary name</b></u>	<u><b>Country of incorporation</b></u>	<u><b>Principal business activity</b></u>	<u><b>Direct ownership interest (%)</b></u>	
			<u><b>September 30, 2020</b></u>	<u><b>December 31, 2019</b></u>
Savola Foods Company ("SFC")	Saudi Arabia	Foods	100	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	98.87	98.87
Good Food Company ("GFC")	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	Saudi Arabia	Restaurant & manufacturing bakery products	49	49

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**1. GENERAL INFORMATION (continued)**

**(I) Direct subsidiaries of the Company (continued)**

**ii) Dormant and Holding subsidiaries**

<b><u>Subsidiary name</u></b>	<b><u>Country of incorporation</u></b>	<b><u>Principal business activity</u></b>	<b><u>Direct ownership interest (%)</u></b>	
			<b><u>September 30, 2020</u></b>	<b><u>December 31, 2019</u></b>
Adeem Arabia Company	Saudi Arabia	Holding company	<b>100</b>	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	<b>100</b>	100
Madarek Investment Company	Jordan	Holding company	<b>100</b>	100
United Properties Development Company	Saudi Arabia	Dormant company	<b>100</b>	100

**(II) Savola Foods Company**

The Parent Company has a 100% (December 31, 2019: 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 05, 1429H (July 08, 2008).

The principle 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, marketing and distribution of products including edible oil, pasta, sugar, seafood, confectionery, and agro cultivation, in the local and overseas market.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**1. GENERAL INFORMATION (continued)**

**(II) Savola Foods Company (continued)**

Subsidiaries controlled through Savola Foods Company:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>September 30, 2020</u>	<u>December 31, 2019</u>
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
El Farasha for Food Industries Company*	Egypt	Manufacturing of pasta	--	100
Savola Foods Emerging Markets Company Limited	British Virgin Islands (BVI)	Holding company	95.43	95.43
Afia International Distribution and Marketing Company	Saudi Arabia	Trading and distribution	99	99
Savola Foods for Sugar Company	Cayman Islands	Holding company	95	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	100	100
International Foods Industries Company Limited ("IFI")	Saudi Arabia	Manufacturing of specialty fats	100	100
Seafood International Two FZCO**	UAE	Seafood products trading and distribution	60	60
Afia Foods Arabia	Saudi Arabia	Dormant 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

\* In line with the consolidation plans for pasta business, in January 2020, the Group has merged its operation of Pasta segment and consequently El Farasha for Food Industries Company has legally merged into El Maleka for Food Industries Company. Legal formalities for this merger were completed during the period ended September 30, 2020.

\*\* SFC has agreed to sell 10% ownership interest in Seafood International Two FZCO to the other shareholder. As at September 30, 2020, the related legal formalities are in process.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**1. GENERAL INFORMATION (continued)**

**(II) Savola Foods Company (continued)**

a) Subsidiaries controlled through Afia International Company:

<u><b>Subsidiary name</b></u>	<u><b>Country of incorporation</b></u>	<u><b>Principal business activity</b></u>	<u><b>Direct ownership interest (%)</b></u>	
			<u><b>September 30, 2020</b></u>	<u><b>December 31, 2019</b></u>
Savola Behshahr Company ("SBeC")	Iran	Holding company	90	90
Malintra Holdings	Luxembourg	Dormant company	100	100
Savola Foods Limited ("SFL")	BVI	Holding company	100	100
Afia International Company – Jordan (under liquidation)	Jordan	Dormant company	98.57	98.57
Inveskz Inc.	BVI	Dormant company	90	90
Afia Trading International	BVI	Dormant company	100	100
Savola Foods International	BVI	Dormant company	100	100
KUGU Gıda Yatım Ve Ticaret A.Ş ("KUGU")	Turkey	Holding company	100	100
Aseel Food – Hold Co.	Cayman Island	Holding company	100	100
<b><u>SBeC</u></b>				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	79.9	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	100	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	100	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	90	90
<b><u>SFL</u></b>				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	99.95	99.95
<b><u>KUGU</u></b>				
Savola Gıda Sanayi Ve Ticaret Anonim Şirketi	Turkey	Manufacturing of edible oils	100	100

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(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:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>September 30, 2020</u>	<u>December 31, 2019</u>
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	<b>74.48</b>	74.48

**USC**

Alexandria Sugar Company, Egypt ("ASCE")*	Egypt	Manufacturing of sugar	<b>62.13</b>	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	<b>100</b>	100

**ASCE**

Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	<b>100</b>	100
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c) Subsidiaries controlled through Savola Foods Emerging Markets Company Limited:

Savola Morocco Company	Morocco	Manufacturing of edible oils	<b>100</b>	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of edible oils	<b>100</b>	100
Afia International Company – Algeria	Algeria	Manufacturing of edible oils	<b>100</b>	100

d) Subsidiaries controlled through Savola Foods Company International Limited:

Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	<b>100</b>	100
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e) Subsidiaries controlled through Al Maoun and Marasina

Alofog Trading DMMC	UAE	Trading and distribution	<b>100</b>	100
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\* The effective ownership interest in ASCE is 71.66% (December 31, 2019: 71.66%)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

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**1. GENERAL INFORMATION (continued)**

**(III) Panda Retail Company**

The Parent Company has a 98.87% (December 31, 2019: 98.87%) 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:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>September 30, 2020</u>	<u>December 31, 2019</u>
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
Panda Bakeries Company	Saudi Arabia	Dormant company	100	100
<b><u>Giant</u></b>				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	95	95

**(IV) Good Food Company**

The Parent Company has a 100% (December 31, 2019: 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.



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**1. GENERAL INFORMATION (continued)**

**(IV) Good Food Company (continued)**

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

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>September 30, 2020</u>	<u>December 31, 2019</u>
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
Sahar Enterprises Company	UAE	Trading and distribution	51	51
Sahar Food Industry Company	UAE	Manufacturing of frozen food	51	51
Al Kabeer Holding Limited	UAE	Holding Company	51	51
Best Foodstuff Trading Company	UAE	Trading and distribution	51	51

Subsidiaries controlled through Al Kabeer Holding Limited:

Cascade Investments Limited (CIL)	UAE	Investment company	100	100
Cascade Marine Foods Company	UAE	Manufacturing of frozen food	100	100
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	100	100
<b><u>CIL</u></b>				
Best Foods Company	Oman	Trading and distribution	100	100

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

The accompanying condensed consolidated interim financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards for Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended December 31, 2019 (“last annual financial statements”).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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**2. BASIS OF PREPARATION (continued)**

**a) Statement of compliance (continued)**

These financial statements do not include all of the information required for a complete set of IFRS financial statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since last annual financial statements.

**i) Accounting convention / Basis of Measurement**

These condensed consolidated interim financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for investments other than those carried at amortized cost, firm commitments and inventory under fair value hedging relationship, derivative financial instruments, lease liabilities and employee benefits which are recognised at the present value of future obligation using the Projected Unit Method. Certain comparative amounts have been reclassified to conform to the current period's presentation.

**ii) Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Saudi Riyals (SR) which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**b) Critical accounting estimates and judgments**

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements. However, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual consolidated financial statements against the backdrop of COVID-19 pandemic. Management believes that other than the expected credit losses arising on the financial assets and certain actuarial assumptions for valuation of present value of defined benefit obligations, all other sources of estimation uncertainty remain similar to those disclosed in the annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statement as at and for the year ended December 31, 2019, except for the amendment to the basis of revenue recognition relating to the commercial and promotional income from the retail business. Such income has been reclassified to the cost of revenue after re-evaluating the contractual terms with the suppliers based on the interpretation of the IFRS 15 "Revenue from contracts with customers" and to align with related industry best practices. Further, during the three-month period ended September 30, 2020, the Group established a Long-Term Incentive Plan for its employees and applied the accounting policy as per the requirements of IFRS 2 "Share-based payment", as discussed below.

**A. Commercial and promotional income**

During the period ended September 30, 2020; the management has resolved that such income from suppliers that was historically recognised as part of revenue, does not necessarily represent a distinct performance obligation under interpretations of IFRS 15 "Revenue from contracts with customers". Accordingly, such income has now been recognised as a reduction of cost of revenue with retrospective application on the comparative amounts as per the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in order to conform to the current presentation.

This adjustment did not have any impact on the Group's consolidated financial position as at September 30, 2019 and as at December 31, 2019; or consolidated operating results including gross profit, net profit, basic or diluted earnings per share and consolidated cash flows for the nine-month and year then ended. Consequently, the reported amounts of Revenue and Cost of revenue for the comparative period have been adjusted as follows:

	<u>Three-month period ended September 30, 2019</u>			<u>Nine-month period ended September 30, 2019</u>		
	<u>Previously Reported</u>	<u>Effect of adjustment</u>	<u>Adjusted Amount</u>	<u>Previously Reported</u>	<u>Effect of adjustment</u>	<u>Adjusted Amount</u>
Revenues	5,335,888	(187,756)	5,148,132	16,747,716	(573,025)	16,174,691
Cost of revenues	<u>(4,251,710)</u>	<u>187,756</u>	<u>(4,063,954)</u>	<u>(13,434,912)</u>	<u>573,025</u>	<u>(12,861,887)</u>
Gross Profit	<u>1,084,178</u>	<u>--</u>	<u>1,084,178</u>	<u>3,312,804</u>	<u>--</u>	<u>3,312,804</u>

A number of amendments to standards are effective from January 1, 2020, but these do not have a material effect on these condensed consolidated interim financial statements.

**B. 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**4. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES**

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

<u>Name</u>	<u>Principal business sector</u>	<u>Country of incorporation</u>	<u>Ownership interest (%)</u>		<u>Amount</u>	
			<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Almarai Company ("Almarai")	Fresh food products	Saudi Arabia	34.52	34.52	8,020,937	7,733,515
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	29.9	29.9	380,806	400,856
United Sugar Company, Egypt ("USCE")*	Sugar Manufacturing	Egypt	33.82	33.82	279,287	254,421
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	40	40	145,053	145,496
United Edible Oils Holding Limited	Holding Company	Cayman Islands	51	51	44,102	47,557
Intaj Capital Limited ("Intaj")	Fund management	Republic of Tunisia	49	49	15,775	27,143
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	2.07	2.07	16,008	16,059
Seafood International Holdco.	Holding Company	Cayman Islands	50	--	6,266	--
Seafood International One FZCO	Seafood products distribution	UAE	40	40	--	--
					<u>8,908,234</u>	<u>8,625,047</u>

\* The direct ownership interest of the Company in USCE is 10.62% (December 31, 2019: 10.62%).

**5. INVESTMENTS**

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Investments at fair value through other comprehensive income (note 5.1)	423,062	347,590
Investment at fair value through profit or loss	72,567	26,516

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**5. INVESTMENTS**

**5.1 Investments at fair value through other comprehensive income**

	<u>Principal business sector</u>	<u>Country of incorporation</u>	<u>Ownership interest (%)</u>		<u>Amount</u>	
			<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
<u>Quoted investments</u>						
Knowledge Economic City	Real Estate	Saudi Arabia	6.4	6.4	287,572	215,897
Emaar the Economic City	Real Estate	Saudi Arabia	0.9	0.9	74,882	71,085
Arab Phoenix Holdings Company	Real Estate	Kingdom of Jordan	5	5	—	--
<u>Unquoted investments</u>						
Swicorp Company	Investment Management	Saudi Arabia	15	15	60,608	60,608
Joussour Holding Company (under liquidation)	Holding Company	Saudi Arabia	14.81	14.81	--	--
					423,062	347,590

**6. SHARE CAPITAL AND DIVIDEND DECLARATION**

At September 30, 2020 and December 31, 2019, the Group's share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each.

During the period ended September 30, 2020, the shareholders of the Company approved final dividend amounting to SR 160.19 million representing Saudi Riyal 0.30 per share in the annual general meeting held on April 29, 2020.

**7. STATUTORY RESERVE**

In accordance with the Company's bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. Since the Company has reached the required reserve level, therefore, no additional transfers are required to be made.

The statutory reserve in the condensed consolidated interim financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**8. 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 Plan are as follows:

<u>Description</u>	<u>Details</u>
Grant date	September 10, 2020
Total number of shares granted	341,675
Service / vesting period	3 years
Fair value per share on grant date	SR 49

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

The total expense recognised for employees' services received during the period ended September 30, 2020 under the Plan amounted to SR 0.3 million (September 30, 2019: SR Nil) 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 period ended September 30, 2020, the Group purchased 341,675 treasury shares amounting to SR 16.5 million in connection with the Plan. This includes shares funded by certain subsidiaries that are held by the Company in fiduciary capacity until vesting.

**9. LOANS AND BORROWINGS**

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

	<b>September 30, <u>2020</u></b>	<b>December 31, <u>2019</u></b>
<b>Non-current liabilities</b>		
Secured bank loans	132,645	130,218
Unsecured bond issues (Sukuk) (note 9.2)	1,000,000	1,000,000
Unsecured bank loans	2,491,975	2,775,027
	<u>3,624,620</u>	<u>3,905,245</u>
<b>Current liabilities</b>		
Current portion of secured bank loans	28,684	60,461
Current portion of unsecured bank loans	1,010,175	679,321
Unsecured bond issues (Sukuk) (note 9.2)	—	993,000
Secured bank loan	151,297	69,700
Unsecured bank loans	2,353,995	1,799,495
Bank overdraft	43,817	37,273
	<u>3,587,968</u>	<u>3,639,250</u>
	<u>7,212,588</u>	<u>7,544,495</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine-month period ended September 30, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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**9. LOANS AND BORROWINGS (continued)**

- 9.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its subsidiaries. These borrowings are mainly in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Turkish Lira, United Arab Emirates Dirhams and Sudanese Pounds. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain overseas subsidiaries. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are secured by corporate guarantees of the Parent Company. As at September 30, 2020, loans and borrowings include sharia-compliant financing facilities amounting to SR 6.1 billion (December 31, 2019: SR 6.5 billion).
- 9.2 On January 22, 2013, the Group completed its initial offering by issuing Sukuk with a total value of SR 1.5 billion with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.10% payable semi-annually. The covenants required certain financial and other conditions to be complied during the tenure. The Sukuk had matured on January 22, 2020.
- On July 9, 2019, the Group completed the offering of its new Sukuk, under the new program, with a total value of SR 1 billion with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.60% payable semi-annually. The Sukuk will mature on July 9, 2026. The issuance included SR 507 million of the previous Sukuk, that has been redeemed and exchanged.
- 9.3 Property, plant and equipment amounting to SR 264 million (December 31, 2019: SR 286 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.
- 9.4 Inventories amounting to SR 137 million (December 31, 2019: SR 62 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.
- 9.5 As at September 30, 2020, the Group has unused bank financing facilities amounting to SR 4.8 billion (December 31, 2019: SR 5.3 billion) to manage short term and long term liquidity requirements.

**10. ZAKAT AND INCOME TAXES**

**(a) Zakat status**

During the year 2019, the Company has finalised its Zakat status for the years 2005 to 2018. The General Authority for Zakat and Tax (GAZT) conducted a field audit on the Company's accounts for the years 2005 to 2012, and claimed additional Zakat difference of SR 85.8 million. Subsequently, the assessment was agreed with the GAZT Settlement Committee and the Company settled the liability with an amount of SR 10.2 million. Moreover, the years from 2013 to 2018 were also finalized based on the amended returns which resulted in an assessment of SR 5.4 million. During the quarter ended September 30, 2020, the GAZT issued a revised claim for the previously finalized years from 2014 to 2018. The management is in the process of filing an objection against the said claim and believes that the settlement of the claim is not probable, therefore no provision has been recorded in these condensed consolidated interim financial statements. The Company has open years 1999 and 2000, for which there is an ongoing objection of SR 1.9 million against the assessment issued by GAZT.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Expressed in thousands of Saudi Riyal unless otherwise stated)

**10. ZAKAT AND INCOME TAXES (continued)**

**a) Zakat status (continued)**

Certain subsidiaries in the foods processing sector have also received final or provisional zakat certificates until the year 2019. Accordingly, payment plans have been pursued as per the agreement with GAZT and liabilities have been adjusted against the final settlement amounts. Further, the GAZT claimed additional zakat amounting to SR 63 million in relation to a subsidiary for certain years previously finalized. As a result of objection filed by the subsidiary against these claims, the GAZT issued a revised assessment with no additional liability.

Additionally, in one of the Group's subsidiaries, zakat accruals amounting to SR 21 million in relation to the assessment years 2008-2014 were reversed after considering the application of the statute of limitation under the regulations issued by the GAZT.

Also, the Group has pending appeals against assessments of certain subsidiaries with total Zakat differences of SR 7.8 million (December 31, 2019: approximately SR 8.2 million).

**(b) Income tax status**

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

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

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

**11. CONTINGENCIES AND COMMITMENTS**

	September 30, <u>2020</u>	December 31, <u>2019</u>
	<u>Amounts in millions</u>	
Letters of credits	64	71
Bank guarantees	111	180
Commitments to buy raw sugar	526	189
Commitments to sell refined sugar	391	333
Capital commitments	56	70
	<u>Quantity in Metric tonnes</u>	
Commitments to buy raw sugar	448,465	174,752
Commitments to sell refined sugar	231,624	199,744



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**12. EARNINGS PER SHARE**

Basic earnings per share for the period ended September 30, 2020 and September 30, 2019 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 533.954 million (September 30, 2019: 533.981 million) during such periods.

Diluted earnings per share for the period ended September 30, 2020 and September 30, 2019, 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 i.e. 533.981 million (September 30, 2019: 533.981 million).

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

	<b>Nine-month period ended</b>	
	<b><u>September 30,</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Issued ordinary shares	533,980,700	533,980,700
Effect of treasury shares (note 8)	(26,283)	--
Weighted average number of ordinary shares outstanding	<u>533,954,417</u>	<u>533,980,700</u>

**13. RELATED PARTIES**

Related parties include the Group's shareholders, associates and affiliated companies, other entities related to certain consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's management.

**Transactions with key management personnel**

***Key management personnel compensation***

Compensation to the Group's key management personnel includes salaries, non-cash benefits, and post-employment benefits. The Group has recognised an expense of SR 25.4 million for the period ended September 30, 2020 (September 30, 2019: SR 26.1 million).

Board of Directors' remuneration for the period ended September 30, 2020 amounting to SR 1.6 million (September 30, 2019: SR 1.6 million) has been calculated in accordance with the Company's By-laws and is charged to the consolidated statement of profit and loss. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 1.8 million (September 30, 2019: SR 2.2 million) are charged to expenses and included under administrative expenses.

***Other related party transactions***

A number of companies transacted with the Group during the period. 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 period for bad or doubtful debts in respect of amounts owed by related parties.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**13. RELATED PARTIES (continued)**

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

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			September 30 2020	2019	September 30, 2020	December 31, 2019
<u>Due from related parties – Trade receivables</u>						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	122,909	97,953	16,691	14,295
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	56,411	49,146	9,132	21,305
Almarai	Associate	Trade	24,528	39,834	3,767	1,495
Western Bakeries Company Limited	Affiliate	Trade	35,459	47,901	3,557	5,449
USCE	Associate	Trade	2,614	--	--	--
Others			--	176	--	590
					<u>33,147</u>	<u>43,134</u>
<u>Due from related parties – Prepayments and other receivables</u>						
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company	Affiliate	Non-trade	963	19,853	21,512	22,322
Seafood International Holdco.	Joint venture	Non-trade	--	--	--	6,011
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	6,643	5,420	2,856	3,159
Seafood International One	Affiliate	Non-trade	1,719	--	--	--
Waste Collection & Recycling Company	Affiliate	Non-trade	4,479	--	3,438	3,060
Zohoor Alreef	Affiliate	Non-trade	259	--	211	174
Intaj Capital Limited	Associate	Non-trade	--	6,819	--	--
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	16,019	13,472	--	--
					<u>28,017</u>	<u>34,726</u>

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**13. RELATED PARTIES (continued)**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>September 30</u>	<u>September 30</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
			<u>2020</u>	<u>2019</u>		
<b><u>Due to related parties – Trade payables</u></b>						
Almarai	Associate	Trade	607,469	559,245	111,538	100,516
Nestle Group	Affiliate	Trade	264,484	294,307	48,880	41,152
Mayar Food Company	Affiliate	Trade	83,716	95,960	21,035	38,243
Del Monte Saudi Arabia Limited	Affiliate	Trade	104,767	51,072	6,942	5,943
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	22,507	18,306	3,887	3,676
USCE	Associate	Trade	23,308	14,167	33	--
Seafood International One	Affiliate	Trade	15,805	28,465	--	--
Al Manhal Water Factory Company Limited	Affiliate	Trade	4,588	4,482	1,362	1,157
Al Jazirah Dates & Food Factory	Affiliate	Trade	32	--	55	29
Others			--	13,564	--	1,112
					<b>193,732</b>	<b>191,828</b>

**Due to related parties – Accrued and other liabilities**

USCE	Associate	Non-trade	27,747	42,910	74,627	52,935
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	7,200	5,087	--	6,517
Kinan	Associate	Non-trade	25,500	24,857	303	--
Del Monte Saudi Arabia	Affiliate	Non-trade	555	2,363	--	--
Others			--	327	--	--
					<b>74,930</b>	<b>59,452</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**14. 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 and 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 in 2020 and 2019, are classified as "Others / Eliminations", which mainly include the eliminations.

Information regarding the results of each reportable segment is included below. 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.

	Reportable Segments					Others /	
	Food	Retail	Food	Frozen	Investments	Eliminations	Total
<u>September 30, 2020</u>	<u>Processing</u>		<u>services</u>	<u>Foods</u>			
External revenues	6,144,005	9,087,171	747,432	538,628	--	--	16,517,236
Inter segment revenue	214,234	1,512	30,712	45,042	28,530	(320,030)	--
<b>Segment Revenue</b>	<b>6,358,239</b>	<b>9,088,683</b>	<b>778,144</b>	<b>583,670</b>	<b>28,530</b>	<b>(320,030)</b>	<b>16,517,236</b>
Cost of revenues	(5,356,543)	(6,932,911)	(596,182)	(356,987)	--	291,500	(12,951,123)
<b>Segment net profit / (loss)</b>	<b>255,703</b>	<b>172,645</b>	<b>29,712</b>	<b>77,545</b>	<b>389,372</b>	<b>(58,902)</b>	<b>866,075</b>
Segment assets	6,861,122	7,808,547	2,010,533	1,009,323	14,051,615	(4,536,178)	27,204,962
Segment liabilities	4,734,806	6,811,981	1,053,952	732,627	5,715,421	(946,997)	18,101,790

	Reportable Segments					Others /	
	Food	Retail	Food	Frozen	Investments	Eliminations	Total
<u>September 30, 2019</u>	<u>Processing</u>		<u>services</u>	<u>Foods</u>			
External revenues	6,709,645	8,095,216	940,611	429,219	--	--	16,174,691
Inter segment revenue	233,213	2,439	21,175	23,895	31,937	(312,659)	--
<b>Segment Revenue</b>	<b>6,942,858</b>	<b>8,097,655</b>	<b>961,786</b>	<b>453,114</b>	<b>31,937</b>	<b>(312,659)</b>	<b>16,174,691</b>
Cost of revenues	(5,876,368)	(6,305,317)	(669,211)	(291,713)	--	280,722	(12,861,887)
<b>Segment net profit / (loss)</b>	<b>252,619</b>	<b>(331,091)</b>	<b>146,448</b>	<b>18,931</b>	<b>322,314</b>	<b>(70,905)</b>	<b>338,316</b>

<u>December 31, 2019</u>							
Segment assets	6,870,235	7,510,918	2,033,463	910,403	13,648,202	(4,315,510)	26,657,711
Segment liabilities	4,578,329	6,648,725	1,035,109	704,236	5,796,953	(644,711)	18,118,641

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**15. HYPERINFLATIONARY ACCOUNTING**

The Group has been closely monitoring the economic conditions in Iran and reviewing qualitative considerations prescribed in IAS 29 – Financial Reporting in Hyperinflationary Economies to establish if the country is under hyperinflation and accordingly the reported amounts of their local operations needs to be adjusted for changes in Consumer Price Index (CPI). Among other consumer behaviours; a significant deterioration in the value of Iranian Rial against USD in foreign exchange markets has also been observed over last three years. Moreover, as at September 30, 2020 the cumulative inflation rate over three years has also exceeded 100 percent. In this regard, a reference has been made to inflation data published on International Monetary Fund website by World Economic Outlook and the Statistical Centre of Iran.

Accordingly, effective from the period ended September 30, 2020, the Group has applied the requirements of IAS 29 in preparing and presenting its condensed consolidated interim financial statements for the nine-month period ended September 30, 2020.

The main effects on the Group's condensed consolidated interim financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the nine-month period ended September 30, 2020 are as follows:

	<b>Nine-months period ended September 30, <u>2020</u></b>
Revenue decreased by	<b>(175,999)</b>
Net income from operations decreased by	<b>(16,586)</b>
Total assets increased by	<b>124,605</b>
Currency translation differences impacted by	<b>102,381</b>

The conversion factors used for the CPI adjustment is given below:

Conversion factor for the period ended September 30, 2020	<b>1.2499</b>
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**16. FINANCIAL RISK MANAGEMENT**

**a) Accounting classification and fair values**

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.

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**16. FINANCIAL RISK MANAGEMENT (continued)**

**a) Accounting classification and fair values (continued)**

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: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 period during which the change has occurred. During the periods ended September 30, 2020 and December 31, 2019, there were no transfers between fair value categories of level 1 and level 2.

As the Group's financial instruments are compiled under the historical cost convention, except for investments and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

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 doesn't 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.

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**16. FINANCIAL RISK MANAGEMENT (continued)**

**a) Accounting classification and fair values (continued)**

	Carrying amount				Fair Value			
	Mandatorily at FVTPL - others	Designated at fair value	Fair value hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
<b>September 30, 2020</b>								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	72,567	--	--	--	72,567	--	--	72,567
Future exchange contracts used for hedging	--	--	24,298	--	--	24,298	--	24,298
Other future exchange contracts	--	6,556	--	--	--	6,556	--	6,556
Call option	--	1,344	--	--	--	--	1,344	1,344
Equity securities (Note 5)	--	--	--	423,062	362,454	--	60,608	423,062
	<u>72,567</u>	<u>7,900</u>	<u>24,298</u>	<u>423,062</u>	<u>435,021</u>	<u>30,854</u>	<u>61,952</u>	<u>527,827</u>
<i>Financial liabilities measured at fair value</i>								
Future exchange contracts used for hedging	--	--	53,759	--	--	53,759	--	53,759
Other future exchange contracts	--	58,318	--	--	--	58,318	--	58,318
Put option	--	186,462	--	--	--	--	186,462	186,462
	<u>--</u>	<u>244,780</u>	<u>53,759</u>	<u>--</u>	<u>--</u>	<u>112,077</u>	<u>186,462</u>	<u>298,539</u>
	Carrying amount				Fair Value			
	Mandatorily at FVTPL - others	Designated at fair value	Fair value hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
<b>December 31, 2019</b>								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	26,516	--	--	--	26,516	--	--	26,516
Future exchange contracts used for hedging	--	--	15,606	--	--	15,606	--	15,606
Other future exchange contracts	--	24,364	--	--	--	24,364	--	24,364
Call option	--	1,999	--	--	--	--	1,999	1,999
Equity securities (Note 5)	--	--	--	347,590	286,982	--	60,608	347,590
	<u>26,516</u>	<u>26,363</u>	<u>15,606</u>	<u>347,590</u>	<u>313,498</u>	<u>39,970</u>	<u>62,607</u>	<u>416,075</u>
<i>Financial liabilities measured at fair value</i>								
Interest rate swaps used for hedging	--	--	547	--	--	547	--	547
Future exchange contracts used for hedging	--	--	52,303	--	--	52,303	--	52,303
Other future exchange contracts	--	13,883	--	--	--	13,883	--	13,883
Put option	--	188,094	--	--	--	--	188,094	188,094
	<u>--</u>	<u>201,977</u>	<u>52,850</u>	<u>--</u>	<u>--</u>	<u>66,733</u>	<u>188,094</u>	<u>254,827</u>

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**16. FINANCIAL RISK MANAGEMENT (continued)**

**b) Measurement of fair values**

**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.

**Financial instruments measured at fair value**

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurements</u>
Equity securities	Market comparison technique. PE multiple, Price to Book value.	Price Earnings Multiples, Price to Book value and Price to Tangible Book Value.	Not applicable
Future contracts	Broker quotes	Not applicable	Not applicable
Call and put option	Black Scholes Model	Strike price Volatility of Sugar index Spot price (fair value)	Increase in fair value will decrease the Put Option and increase the Call option values. Increase in volatility index will increase the value of Put and Call options.
Interest rate swaps	DCF	Not applicable	Not applicable

**17. 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 gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. The gearing ratio as at September 30, 2020 and December 31, 2019 is as follows:



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**17. CAPITAL MANAGEMENT (continued)**

	September 30, <u>2020</u>	December 31, <u>2019</u>
Total liabilities	18,101,790	18,118,641
Less: Cash and cash equivalents	(1,068,672)	(940,536)
<b>Adjusted net debt</b>	<b>17,033,118</b>	<b>17,178,105</b>
 Total equity	 9,103,172	 8,539,070
Less: Hedging reserve	(5,691)	547
<b>Adjusted equity</b>	<b>9,097,481</b>	<b>8,539,617</b>
<b>Adjusted net debt to adjusted equity ratio</b>	<b>1.87</b>	<b>2.01</b>

**18. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE**

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant financial impact on the condensed consolidated interim financial statements of the Group on the current period or prior periods and is expected to have no significant effect in future periods:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendment to IFRS 3);
- Definition of Material (Amendment to IAS 1 and IAS 8); and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

**PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE**

A number of new pronouncements are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements.

- IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

**19. IMPACT OF COVID-19**

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, the Group's management has already mobilized a task force to assess the possible impact on its business in Saudi Arabia and other geographies where group operates. The management has also taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations. The Group's retail, food processing and frozen food segments have reported favorable results and consequently management believes that COVID-19 had limited impact on the reported financial position and results for the period ended September 30, 2020.

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**19. IMPACT OF COVID-19 (continued)**

Since the extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, the management and those charged with governance will continue to monitor the potential risks around supply of material, manpower, inventory levels and minimum interruptions to the production facilities across all geographies and accordingly update stakeholders for material deviations, as per local regulatory requirements.

**20. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue by the Company's Board of Directors on Rabi Al Awal 11, 1442H, corresponding to October 28, 2020.