

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

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

For the three-month period and year ended December 31, 2019
together with the Independent Auditor's Review Report

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)
For the three-month period and year ended December 31, 2019

INDEX	Page
Independent auditor's report on review of the condensed consolidated interim financial statements	-
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2 - 3
Condensed Consolidated Statement of Changes in Equity	4 - 5
Condensed Consolidated Statement of Cash Flows	6 - 7
Notes to the Condensed Consolidated Interim Financial Statements	8 - 30



KPMG Al Fozan & Partners
Certified Public Accountants
Zahran Business Centre, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com/sa

License No. 46/11/323 issued 11/3/1992

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 December 31, 2019 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 December 31, 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period and year ended December 31, 2019;
- the condensed consolidated statement of changes in equity for the year ended December 31, 2019;
- the condensed consolidated statement of cash flows for the year ended December 31, 2019; 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 December 31, 2019 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, Jumada Al Thani 4, 1441H
Corresponding to January 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)

	<u>Note</u>	December 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		6,542,682	6,754,793
Right-of-use assets	17	4,287,367	--
Intangible assets and goodwill	4	831,596	905,556
Investment property		42,344	33,178
Investment in equity accounted investees	5	8,625,047	8,300,864
Investments	6	374,106	355,092
Long term receivables		7,711	7,443
Derivative		1,999	2,496
Deferred tax asset		12,480	17,793
Total non-current assets		20,725,332	16,377,215
Current assets			
Inventories		2,738,288	2,630,764
Trade receivables		1,047,333	1,073,572
Prepayments and other receivables		1,101,782	1,269,327
Cash and cash equivalents		922,204	901,573
Total current assets		5,809,607	5,875,236
TOTAL ASSETS		26,534,939	22,252,451
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	5,339,807	5,339,807
Share premium		342,974	342,974
Statutory reserve	8	1,774,085	1,774,085
General reserve		4,000	4,000
Fair value reserve		(179,230)	(198,084)
Effect of transactions with non-controlling interests without change in control		(187,979)	(187,979)
Foreign currency translation reserve		(1,792,396)	(1,744,616)
Retained earnings		2,288,979	1,797,256
Equity attributable to equity holders of the Company		7,590,240	7,127,443
Non-controlling interests		948,830	894,498
TOTAL EQUITY		8,539,070	8,021,941
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	3,972,922	4,265,996
Lease liabilities	17	3,925,375	--
Employee benefits		747,201	719,542
Deferred tax liability		114,745	91,195
Long term payables		204,146	207,268
Lease rentals		--	232,020
Derivative		188,094	197,131
Provision for asset restoration		139,609	90,716
Total non-current liabilities		9,292,092	5,803,868
Current liabilities			
Loans and borrowings	9	3,571,573	3,689,915
Lease liabilities	17	676,864	--
Trade payables		2,295,548	2,391,028
Current maturity of lease rentals		--	63,658
Accrued and other liabilities		2,159,792	2,282,041
Total current liabilities		8,703,777	8,426,642
TOTAL LIABILITIES		17,995,869	14,230,510
TOTAL LIABILITIES AND EQUITY		26,534,939	22,252,451

The accompanying notes 1 to 19 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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	Three-months period ended December 31		Year ended December 31	
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Audited)
Revenues	14	5,495,583	5,346,973	22,243,299	21,814,563
Cost of revenues	14	(4,271,246)	(4,356,373)	(17,705,631)	(17,916,606)
Gross profit		1,224,337	990,600	4,537,668	3,897,957
Share of results in investment in equity-accounted investees, net of zakat and tax and dividend income		100,799	18,992	639,357	574,742
Administrative expenses		(205,053)	(219,051)	(820,560)	(793,640)
Selling and distribution expenses		(733,982)	(778,056)	(2,972,791)	(3,202,189)
Impairment loss		(72,738)	(199,550)	(72,738)	(199,550)
Results from operating activities		313,363	(187,065)	1,310,936	277,320
Finance income		27,006	20,324	55,368	70,463
Finance cost		(183,658)	(193,132)	(744,009)	(606,512)
Net finance cost		(156,652)	(172,808)	(688,641)	(536,049)
Reversal of provision no longer required	10	66,839	--	138,275	--
Other expenses		--	(100,735)	--	(100,735)
Gain on disposal of investment		--	--	--	3,269
Profit / (loss) before zakat and income tax		223,550	(460,608)	760,570	(356,195)
Zakat and income tax expense	10	(38,617)	(50,318)	(103,718)	(102,074)
Profit / (loss) for the period / year		184,933	(510,926)	656,852	(458,269)
Other Comprehensive Income					
<i>Items that will not be reclassified to profit or loss</i>					
Re-measurements of the defined benefit liability		14,312	(14,143)	14,312	(14,143)
Investments at fair value through other comprehensive income – net change in fair value		(3,305)	(60,922)	23,385	(122,550)
<i>Items that are or may be reclassified to profit or loss</i>					
Foreign operations - foreign currency translation differences		(20,130)	36,813	(59,576)	(575,942)
Investment in equity accounted investees – share of Other Comprehensive Income		5,683	82,960	(2,697)	27,094
Cash flow hedges - effective portion of changes in fair value		(5)	(3,097)	(1,834)	6,021
Other comprehensive (loss) / income		(3,445)	41,611	(26,410)	(679,520)
Total comprehensive income / (loss) for the period / year		181,488	(469,315)	630,442	(1,137,789)

The accompanying notes 1 to 19 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 (CONTINUED)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	Three-months period ended December 31		Year ended December 31	
		<u>2019</u> (Unaudited)	<u>2018</u> (Unaudited)	<u>2019</u> (Unaudited)	<u>2018</u> (Audited)
Profit / (loss) for the period / year attributable to:					
Owners of the Company		137,314	(525,989)	475,630	(520,380)
Non-controlling interests		47,619	15,063	181,222	62,111
Profit / (loss) for the period / year		<u>184,933</u>	<u>(510,926)</u>	<u>656,852</u>	<u>(458,269)</u>
Total comprehensive income / (loss) for the period / year attributable to:					
Owners of the Company		136,372	(508,375)	462,797	(1,106,915)
Non-controlling interests		45,116	39,060	167,645	(30,874)
Total comprehensive income / (loss) for the period / year		<u>181,488</u>	<u>(469,315)</u>	<u>630,442</u>	<u>(1,137,789)</u>
Earnings / (loss) per share attributable to the Owners of the Company (in Saudi Riyals):					
Basic and diluted	12	<u>0.26</u>	<u>(0.99)</u>	<u>0.89</u>	<u>(0.97)</u>

The accompanying notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company										
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Effect of 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 year</u>											
Profit for the year	--	--	--	--	--	--	--	475,630	475,630	181,222	656,852
Other comprehensive income / (loss)	--	--	--	--	18,854	--	(47,780)	16,093	(12,833)	(13,577)	(26,410)
	--	--	--	--	18,854	--	(47,780)	491,723	462,797	167,645	630,442
Dividends	--	--	--	--	--	--	--	--	--	(113,313)	(113,313)
Balance at December 31, 2019	<u>5,339,807</u>	<u>342,974</u>	<u>1,774,085</u>	<u>4,000</u>	<u>(179,230)</u>	<u>(187,979)</u>	<u>(1,792,396)</u>	<u>2,288,979</u>	<u>7,590,240</u>	<u>948,830</u>	<u>8,539,070</u>

The accompanying notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED) (CONTINUED)

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company										
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Effect of 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, 2018 - as previously reported	5,339,807	342,974	1,774,085	4,000	(108,649)	(161,598)	(1,260,509)	2,898,756	8,828,866	879,114	9,707,980
Adjustment from adoption of IFRS 9	--	--	--	--	--	--	--	(34,146)	(34,146)	(6,184)	(40,330)
Balance at January 1, 2018 – restated	5,339,807	342,974	1,774,085	4,000	(108,649)	(161,598)	(1,260,509)	2,864,610	8,794,720	872,930	9,667,650
<u>Total comprehensive income / (loss) for the year</u>											
Net (loss) / profit for the year	--	--	--	--	--	--	--	(520,380)	(520,380)	62,111	(458,269)
Other comprehensive loss	--	--	--	--	(89,435)	--	(484,107)	(12,993)	(586,535)	(92,985)	(679,520)
Total comprehensive (loss) / income	--	--	--	--	(89,435)	--	(484,107)	(533,373)	(1,106,915)	(30,874)	(1,137,789)
Dividends	--	--	--	--	--	--	--	(533,981)	(533,981)	(113,750)	(647,731)
<u>Other changes / movements</u>											
Transaction with non-controlling interest without change in control	--	--	--	--	--	(15,825)	--	--	(15,825)	15,825	--
Acquisition of subsidiary with NCI (Note 1)	--	--	--	--	--	--	--	--	--	150,367	150,367
Other changes	--	--	--	--	--	(10,556)	--	--	(10,556)	--	(10,556)
Balance at December 31, 2018	<u>5,339,807</u>	<u>342,974</u>	<u>1,774,085</u>	<u>4,000</u>	<u>(198,084)</u>	<u>(187,979)</u>	<u>(1,744,616)</u>	<u>1,797,256</u>	<u>7,127,443</u>	<u>894,498</u>	<u>8,021,941</u>

The accompanying notes 1 to 19 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)

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Profit / (loss) for the year	656,852	(458,269)
Adjustments for:		
Depreciation	1,201,203	762,138
Net finance cost	688,641	536,049
Share of results in investment in equity accounted investees, net of zakat and tax and dividend income	(639,357)	(574,742)
Reversal of provision no longer required	(138,275)	--
Impairment loss	72,738	199,550
Provision against financial guarantee	--	100,735
Gain on disposal of investment	--	(3,269)
Gain on sale of property, plant and equipment	(5,176)	(7,301)
Zakat and income tax expense	103,718	102,074
	<u>1,940,344</u>	<u>656,965</u>
Changes in:		
Inventories	(117,499)	240,264
Trade receivables	5,061	(275,732)
Prepayments and other receivables	(281,017)	(121,981)
Trade payables	(70,522)	48,485
Employee benefits	44,630	49,063
Accrued and other liabilities	255,945	457,511
Cash generated from operating activities	<u>1,776,942</u>	<u>1,054,575</u>
Finance cost paid	(397,320)	(440,027)
Zakat and income tax paid	(101,991)	(59,622)
Net cash from operating activities	<u>1,277,631</u>	<u>554,926</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(329,052)	(394,425)
Proceeds from sale of property, plant and equipment	17,123	36,249
Net investment in FVTPL investments	4,372	(30,888)
Acquisition of subsidiary, net of cash acquired	--	(558,102)
Dividends received	306,098	258,914
Proceeds from sale of investments	--	28,022
Proceeds from investments	41,138	5,716
Net cash generated from / (used in) investing activities	<u>39,679</u>	<u>(654,514)</u>
Cash flows from financing activities		
Net change in loans and borrowings - current	(1,136,172)	(65,829)
Net change in loans and borrowings - non-current	687,261	740,351
Dividends paid	(2,374)	(526,364)
Payment of lease liabilities	(675,370)	--
Net changes in non-controlling interests	(113,313)	(113,750)
Net cash (used in) / generated from financing activities	<u>(1,239,968)</u>	<u>34,408</u>

The accompanying notes 1 to 19 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)

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>2019</u>	<u>2018</u>
Net change in cash and cash equivalents	77,342	(65,180)
Effect of movement in exchange rates on cash and cash equivalents	(56,711)	(320,818)
Cash and cash equivalents at beginning of the year	901,573	1,298,117
Adjustment from adoption of IFRS 9	--	(10,546)
Cash and cash equivalents at end of the year	<u>922,204</u>	<u>901,573</u>
Supplemental schedule of non-cash financial information:		
Fair value reserve	<u>18,854</u>	<u>(89,435)</u>
Foreign currency translation reserve	<u>(59,576)</u>	<u>(575,942)</u>
Actuarial reserve	<u>14,312</u>	<u>(14,143)</u>
Effect of transactions with non-controlling interest without change in control	<u>--</u>	<u>(26,381)</u>

The accompanying notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(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 December 31, 2019, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2019</u>	<u>December 31, 2018</u>
Savola Foods Company ("SFC")	Saudi Arabia	Foods	100	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	98.87	97.55
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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(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

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2019</u>	<u>December 31, 2018</u>
Adeem Arabia Company (Adeem)	Saudi Arabia	Holding company	100	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	100	100
Al Mojammat Al Mowahadah Real Estate Company (liquidated)	Saudi Arabia	Holding company	--	100
Madarek Investment Company	Jordan	Holding company	100	100
United Properties Development Company	Saudi Arabia	Dormant company	100	100
Good Food Company*	Saudi Arabia	Holding company	100	100

* During 2018, in accordance with the terms and conditions of the Share Purchase Agreement, Savola agreed to acquire 51% ownership interest of Al Kabeer Group of companies for a cash consideration of SR 571 million. The transaction has been effected through the Company's 100% owned subsidiary, Good Food Company, a company incorporated in the Kingdom of Saudi Arabia (see Note 1(IV)). The payment of consideration along with the related formalities were completed on October 31, 2018. During the year, SR 34.3 million has been adjusted against the purchase consideration.

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2018: 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.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(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>December 31, 2019</u>	<u>December 31, 2018</u>
Afia International Company (“AIC”)	Saudi Arabia	Manufacturing of edible oils	95.19	95.19
Savola Industrial Investment Company	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	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	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

* SFC has agreed to sell 10% ownership interest in Seafood International Two FZCO to the other shareholder. As at December 31, 2019, the related legal formalities are in process.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(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>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	Direct ownership interest (%)	
			<u>December 31, 2019</u>	<u>December 31, 2018</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	97.4
Inveskz Inc.	BVI	Dormant company	90	90
Afia Trading International	BVI	Dormant company	100	100
Savola Foods International	BVI	Dormant company	100	100
KUGU Gida Yatum Ve Ticaret A.S (“KUGU”)	Turkey	Holding company	100	100
Aseel Food – Hold Co.	Cayman Island	Holding company	100	100
<u>SBeC</u>				
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
<u>SFL</u>				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	99.95	99.95
<u>KUGU</u>				
Savola Gida Sanayi Ve Ticaret Anonim Şirketi	Turkey	Manufacturing of edible oils and fats	100	100

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(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>December 31, 2019</u>	<u>December 31, 2018</u>
United Sugar Company (“USC”)	Saudi Arabia	Manufacturing of sugar	74.48	74.48
<u>USC</u>				
Alexandria Sugar Company, Egypt (“ASCE”)**	Egypt	Manufacturing of sugar	62.13	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	100	100
<u>ASCE</u>				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	100	100

c) Subsidiaries controlled through Savola Foods Emerging Markets Company Limited:

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

d) Subsidiaries controlled through Savola Foods Company International Limited:

Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	100	100
------------------------------------	------	------------------------	------------	-----

e) Subsidiaries controlled through Al Maoun and Marasina

Alofog Trading DMMC	UAE	Trading and distribution	100	100
---------------------	-----	--------------------------	------------	-----

** The effective ownership interest in ASCE is 71.66% (December 31, 2018: 71.66%).

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(III) Panda Retail Company

The Parent Company has a 98.87% (December 31, 2018: 97.55%) 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, supermarkets and convenience stores.

Subsidiaries controlled through Panda:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2019</u>	<u>December 31, 2018</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

Giant

Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	95	95
------------------------------	--------------	-----------------	-----------	----

On January 16, 2019, the shareholders of Panda resolved in the Extraordinary General Assembly Meeting, to decrease the share capital of the Company by SR 695 million to absorb its accumulated losses followed by capital injection of SR 800 million by the shareholders. The capital injection was solely contributed by Savola Group Company, thereby, increasing the ownership of the Group in Panda to 98.87%.

(IV) Good Food Company

The Parent Company has a 100% ownership interest in Good Food Company (“GFC”), which was incorporated as a limited liability company 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
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(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”):

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2019</u>	<u>December 31, 2018</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
<u>CIL</u>				
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, 2018 (“last annual financial statements”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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. In this set of the Group's condensed consolidated interim financial statements, IFRS 16 "Leases" have been applied and the resultant changes to the significant accounting policies are described in Note 3.

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 except for the significant judgement and key sources of estimation uncertainty related to the application of IFRS 16 which are described in Note 17.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for intangible assets with indefinite useful life and leases as described below, 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, 2018. The changes in accounting policies are also expected to be reflected in the Group's annual consolidated financial statements as at and for the year ended December 31, 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has initially adopted IFRS 16 Leases from January 1, 2019, the impact of which is explained in note 17. A number of other amendments are effective from January 1, 2019 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach. At the date of initial application, the Group has adopted a policy to recognise the right-of-use asset at an amount equal to the lease liability, adjusted by any related prepaid or accrued lease payments, that resulted in no adjustment to the retained earnings as at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

Intangible assets with indefinite useful life

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.

Significant accounting policies under IFRS 16

The Group recognises a right-of-use asset (RoU asset) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and right-of-use assets recognised.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

4. INTANGIBLE ASSETS AND GOODWILL

During the year, the Group has completed the purchase price allocation exercise pertaining to the acquisition of Al Kabeer group of companies (Note 1). Accordingly, initial goodwill of SR 414 million has been fully allocated to the fair values of identifiable assets, liabilities and contingent liabilities. In this regard, property, plant and equipment has been increased by SR 43.7 million, intangible assets with indefinite useful life representing brands, distribution network and customer list have been recognized at SR 336.3 million. The remaining amount of SR 34.3 million has been adjustment against purchase consideration.

5. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal business sector</u>	<u>Ownership interest (%)</u>		<u>December 31, 2019</u>	<u>December 31, 2018</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>		
Almarai Company	Saudi Arabia	Fresh food products	34.52	34.52	7,733,515	7,404,199
Kinan International for Real Estate Development Company ("Kinan")	Saudi Arabia	Real estate	29.9	29.9	400,856	408,013
United Sugar Company, Egypt ("USCE") *	Egypt	Manufacturing of sugar	33.82	33.82	254,421	235,837
Al-Seera City Company for Real Estate Development	Saudi Arabia	Real estate	40	40	145,496	147,597
United Edible Oils Holding Limited	Cayman Islands	Holding company	51	51	47,557	54,987
Intaj Capital Limited	Republic of Tunisia	Fund management	49	49	27,143	33,961
Knowledge Economic City Developers Company	Saudi Arabia	Real estate	2.07	2.07	16,059	16,270
Seafood International One FZCO	UAE	Seafood products distribution	40	40	--	--
					8,625,047	8,300,864

* The direct ownership interest of the Company in USCE is 10.62% (December 31, 2018: 10.62%).

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. INVESTMENTS

	December 31, <u>2019</u>	December 31, <u>2018</u>
Investments held at fair value through other comprehensive income (note 6.1)	347,590	324,204
Investment at fair value through profit or loss	26,516	30,888
	<u>374,106</u>	<u>355,092</u>

6.1 Investments held at fair value through other comprehensive income

	<u>Country of incorporation</u>	<u>Principal business sector</u>	<u>Ownership interest (%)</u>		<u>December 31, 2019</u>	<u>December 31, 2018</u>
			December 31, 2019	December 31, 2018		
<u>Quoted investments</u>						
Knowledge Economic City	Saudi Arabia	Real estate	6.4	6.4	215,897	197,652
Emaar the Economic City	Saudi Arabia	Real estate	0.9	0.9	71,085	58,878
Arab Phoenix Holdings Company	Jordan	Real estate	5	5	--	--
<u>Unquoted investments</u>						
Swicorp Company	Saudi Arabia	Investment management	15	15	60,608	67,674
Joussour Holding Company	Saudi Arabia	Holding company	14.81	14.81	--	--
					<u>347,590</u>	<u>324,204</u>

7. SHARE CAPITAL AND DIVIDEND DECLARATION

At December 31, 2019 and December 31, 2018, the Group's share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each.

The Board of Directors in its meeting held on January 29, 2020, approved final dividend of Saudi Riyals 160.19 million (representing Saudi Riyals 0.30 per share).

8. 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 year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Non-current liabilities		
Secured bank loans	2,495	98,808
Unsecured bond issues (Sukuk) (note 9.2)	1,000,000	1,500,000
Unsecured bank loans	2,970,427	2,667,188
	<u>3,972,922</u>	<u>4,265,996</u>
Current liabilities		
Current portion of secured bank loans	15,136	167,922
Current portion of unsecured bank loans	656,969	970,310
Unsecured bond issues (Sukuk) (note 9.2)	993,000	--
Secured bank loan	80,092	69,846
Unsecured bank loans	1,789,103	2,425,243
Bank overdraft	37,273	56,594
	<u>3,571,573</u>	<u>3,689,915</u>
	<u>7,544,495</u>	<u>7,955,911</u>

- 9.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its consolidated subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Turkish Lira 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 borrowings of certain subsidiaries are secured by corporate guarantees of the Parent Company.

As at December 31, 2019, loans and borrowings include sharia-compliant financing facilities amounting to SR 6.55 billion (December 31, 2018: SR 6.98 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 require certain financial and other conditions to be complied during the tenure. The Sukuk is maturing on January 22, 2020 and accordingly has been classified as short-term loans and borrowings. Subsequent to the period end, the Sukuk has been settled 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 have been redeemed and exchanged. Accordingly, the nominal value of the previous Sukuk decreases from SR 1.5 billion to SR 993 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. LOANS AND BORROWINGS (continued)

- 9.3 Property, plant and equipment amounting to SR 286 million (December 31, 2018: SR 237.9 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.
- 9.4 Inventories amounting to SR 62 million (December 31, 2018: SR 25 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.
- 9.5 As at December 31, 2019, the Group has unused bank financing facilities amounting to SR 5.26 billion (December 31, 2018: SR 4.62 billion) to manage the short term and the long-term liquidity requirements.

10. ZAKAT AND INCOME TAXES

(a) Zakat status

During the year, 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 amended returns and resulting in assessment of SR 5.4 million. The Company only has open years 1999 and 2000, for which there is an ongoing objection of SR 1.9 million against the assessment issued by GAZT. Certain subsidiaries in the foods processing sector have also received final or provisional zakat certificates until the year 2017. Accordingly, payment plans have been pursued as per the agreement with GAZT and liabilities have been adjusted against the final settlement amounts.

The Group additionally has pending appeals against assessments of certain subsidiaries with total Zakat differences of SR 8.2 million (December 31, 2018: approximately SR 10 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. Some of the foreign subsidiaries are currently tax exempt. Tax paying foreign subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. Certain foreign subsidiaries are also obliged to pay quarterly advances 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

11. CONTINGENCIES AND COMMITMENTS

	December 31,	December 31,
	<u>2019</u>	<u>2018</u>
	<u>Amounts in millions</u>	
Letters of credits	71	163
Bank guarantees	180	247
Commitments to buy raw sugar	189	350
Commitments to sell refined sugar	333	323
Capital commitments	70	99
	<u>Quantity in Metric tonnes</u>	
Commitments to buy raw sugar	174,752	306,259
Commitments to sell refined sugar	199,744	323,204

12. EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2019 and December 31, 2018 have been computed by dividing the net profit attributable to the owners of the Company for such periods by the weighted average number of shares outstanding 533.981 million (December 31, 2018: 533.981 million) during such years.

Diluted earnings per share for the year ended December 31, 2019 and December 31, 2018, have been computed by dividing the net profit and profit from continuing operations attributable to the owners of the Company for such years by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. However, in the absence of any convertible liability, the diluted earnings per share does not differ from the basic earnings per share.

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.

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 33.87 million for the year ended December 31, 2019 (December 31, 2018: SR 30.35 million).

Board of Directors' remuneration for the year ended December 31, 2019 amounting to SR 2.15 million (December 31, 2018: SR 2.20 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 3.03 million (December 31, 2018: SR 2.73 million) are charged to expenses and included under administrative expenses.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. RELATED PARTIES (continued)

Other related party transactions (continued)

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 bad or doubtful debts in respect of amounts owed by related parties.

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>December 31, 2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>2018</u>
<u>Due from related parties – Trade receivables</u>						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	131,021	179,542	14,295	22,372
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	70,744	59,937	21,305	15,469
Almarai	Associate	Trade	49,256	61,145	1,495	3,593
Western Bakeries Company Limited	Affiliate	Trade	63,377	29,368	5,449	1,596
Others			475	107	590	2,095
					43,134	45,125
<u>Due from related parties – Prepayments and other receivables</u>						
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company	Affiliate	Non-trade	19,853	1,664	22,322	2,768
Seafood International Holdco.	Joint venture	Non-trade	--	--	6,011	6,011
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	7,399	--	3,806	--
Kinan (Note 13.1)	Associate	Non-trade	--	--	--	73,015
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	13,472	43,901	--	7,513
Intaj	Associate	Non-trade	6,819	5,716	--	--
Del Monte Saudi Arabia Limited	Affiliate	Non-trade	3,300	3,150	--	--
					32,139	89,307

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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>December 31, 2019</u>	<u>2018</u>	<u>December 31, 2019</u>	<u>2018</u>
<i>Due from related parties – Long-term receivables</i>						
Kinan (Note 13.1)	Associate	Non-trade	--	--	--	69,075
<i>Due to related parties – Trade payables</i>						
Almarai	Associate	Trade	753,422	742,548	100,516	83,915
Nestle Saudi Arabia Limited	Affiliate	Trade	373,506	368,916	38,584	41,115
Mayar Food Company	Affiliate	Trade	134,736	136,958	38,243	34,124
Del Monte Saudi Arabia Limited	Affiliate	Trade	70,807	85,312	5,943	4,194
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	22,806	8,036	3,676	2,584
Al Manhal Water Factory Company Limited	Affiliate	Trade	5,798	12,886	1,157	1,894
Seafood International One	Associate	Trade	28,465	20,804	--	--
USCE	Associate	Trade	14,167	20,625	--	--
Others			17,379	14,941	1,112	1,411
					189,231	169,237
<i>Due to related parties – accrued and other liabilities</i>						
USCE	Associate	Non-trade	49,061	74,382	52,935	20,372
Kinan	Associate	Non-trade	13,885	32,437	--	10,300
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	6,783	6,783	6,517	3,125
Seafood International One	Associate	Non-trade	--	18,175	--	4,027
					59,452	37,824

- 13.1** In September 2014, the Parent Company sold its direct and indirect ownership interest in Diyar Al Mashreq (Masharef Project) to its associate Kinan at a total consideration of SR 593.6 million, receivable in four installments until November 2017. During 2017, an agreement was signed between the parties whereby the receivable balance of SR 153.97 million was rescheduled and agreed to be settled in 2 installments amounting to SR 79.70 million and SR 74.27 million on December 1, 2018 and June 30, 2019 respectively. During the year ended December 31, 2019, the outstanding balance has been received.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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 a 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, super markets 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 associates and other investments.

The segments which do not meet any of the quantitative thresholds for determining reportable segments in 2019 and 2018, 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						Total
	Food Processing	Retail	Food services	Frozen Foods	Investments	Others / Eliminations	
December 31, 2019							
External revenues	8,904,804	11,492,903	1,259,294	586,298	--	--	22,243,299
Inter segment revenue	304,409	3,802	29,016	33,693	43,599	(414,519)	--
Segment Revenue	9,209,213	11,496,705	1,288,310	619,991	43,599	(414,519)	22,243,299
Cost of revenues	(7,833,222)	(8,952,280)	(894,169)	(396,881)	--	370,921	(17,705,631)
Segment net profit / (loss)	292,380	(342,412)	194,354	62,368	397,779	(128,839)	475,630
Segment assets	6,621,817	7,534,839	2,023,042	909,736	13,808,553	(4,363,048)	26,534,939
Segment liabilities	4,329,911	6,672,646	1,024,688	703,569	5,909,792	(644,737)	17,995,869
	Reportable Segments						
	Food Processing	Retail	Food services	Frozen Food	Investments	Others / Eliminations	Total
December 31, 2018							
External revenues	9,411,816	11,114,241	1,198,957	89,549	--	--	21,814,563
Inter segment revenue	323,656	3,354	28,313	4,557	47,035	(406,915)	--
Segment Revenue	9,735,472	11,117,595	1,227,270	94,106	47,035	(406,915)	21,814,563
Cost of revenues	(8,514,731)	(8,803,345)	(882,200)	(72,856)	--	356,526	(17,916,606)
Segment net profit / (loss)	(17,272)	(917,429)	204,170	(4,059)	277,590	(63,380)	(520,380)
Segment assets	6,787,542	4,502,327	1,442,400	909,159	12,562,714	(3,951,691)	22,252,451
Segment liabilities	4,569,707	4,109,721	508,627	763,094	4,901,214	(621,853)	14,230,510

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. 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.

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 recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended December 31, 2019 and December 31, 2018, 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.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. FINANCIAL RISK MANAGEMENT (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
December 31, 2019								
<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 6)	--	--	--	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>
	Carrying amount				Fair Value			
	Mandatorily at FVTPL - others	Designated at fair value	Fair value hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
December 31, 2018								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	30,888	--	--	--	30,888	--	--	30,888
Future exchange contracts used for hedging	--	--	18,284	--	--	18,284	--	18,284
Other future exchange contracts	--	82,747	--	--	--	82,747	--	82,747
Call option	--	2,496	--	--	--	--	2,496	2,496
Interest rate swaps used for hedging	--	--	1,286	--	--	1,286	--	1,286
Equity securities (Note 6)	--	--	--	324,204	256,530	--	67,674	324,204
	<u>30,888</u>	<u>85,243</u>	<u>19,570</u>	<u>324,204</u>	<u>287,418</u>	<u>102,317</u>	<u>70,170</u>	<u>459,905</u>
<i>Financial liabilities measured at fair value</i>								
Future exchange contracts used for hedging	--	--	29,467	--	--	29,467	--	29,467
Other future exchange contracts	--	50,177	--	--	--	50,177	--	50,177
Put option	--	197,131	--	--	--	--	197,131	197,131
	<u>--</u>	<u>247,308</u>	<u>29,467</u>	<u>--</u>	<u>--</u>	<u>79,644</u>	<u>197,131</u>	<u>276,775</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. 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

16. 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.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

16. CAPITAL MANAGEMENT (continued)

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 December 31, 2019 and December 31, 2018 is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	17,995,869	14,230,510
Less: Cash and cash equivalents	(922,204)	(901,573)
Adjusted net debt	17,073,665	13,328,937
Total equity	8,539,070	8,021,941
Hedging reserve	547	(1,286)
Adjusted equity	8,539,617	8,020,655
Adjusted net debt to adjusted equity ratio	2.00	1.66

17. IMPACT OF ADOPTION OF IFRS 16 ‘LEASES’

The Group adopted IFRS 16 ‘Leases’ under effect from January 1, 2019. The standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Group’s Financial Position, unless the term is twelve months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is depreciated over the useful life.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. IMPACT OF ADOPTION OF IFRS 16 ‘LEASES’ (continued)

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than twelve months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

a) Impact on transition:

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. The prepaid and accrued rentals are adjusted against the right-of-use assets.

The impact of transition on the condensed consolidated statement of financial position is summarised below:

Impact on:	January 1, <u>2019</u>
Right-of-use assets	4,988,919
Accrued and other liabilities	208,488
Provision for asset restoration	(67,746)
Prepayments and other receivables	(89,453)
Lease liabilities	(5,040,208)

When measuring lease liabilities for leases that were classified as operating leases under IAS 17, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied in different geographies are:

<u>Country</u>	<u>Weighted average rate</u>
Saudi Arabia	3% – 5.8%
Egypt	18%
Iran	25%
Turkey	20%
Other countries	5.69% – 6%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. IMPACT OF ADOPTION OF IFRS 16 ‘LEASES’ (continued)

b) Impact for the year:

During the year ended December 31, 2019, the Group recognised SR 537.1 million of depreciation charges and SR 261.9 million of interest costs from these leases, resulting in a carrying value of SR 4,287 million and SR 4,602 million for right of use assets and lease liabilities respectively as at December 31, 2019.

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

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 year or prior years and is expected to have no significant effect in future periods:

a) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations – A company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 Joint Arrangements – A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes – A company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23 Borrowing Costs – A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

b) Other Amendments

The following amended standards and interpretations do not have a significant impact on the Group's condensed consolidated interim financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after January 1, 2020 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.

- 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)
- IFRS 17 Insurance Contracts.
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

19. DATE OF AUTHORISATION FOR ISSUE

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on Jumada Al Thani 4, 1441H, corresponding to January 29, 2020.