

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, 2019
together with the Independent Auditors' Review Report

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)
For the nine-month period ended September 30, 2019

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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, 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 September 30, 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended September 30, 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended September 30, 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 September 30, 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, Safar 29, 1441H
Corresponding to October 28, 2019

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>	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		6,505,394	6,754,793
Right-of-use assets	16	4,537,072	--
Goodwill		909,867	905,556
Investment property		29,233	33,178
Investment in equity accounted investees	4	8,531,189	8,300,864
Investments	5	392,219	355,092
Long term receivables		6,714	7,443
Derivative		1,499	2,496
Deferred tax asset		17,980	17,793
Total non-current assets		20,931,167	16,377,215
Current assets			
Inventories		2,926,194	2,630,764
Trade receivables		1,111,849	1,073,572
Prepayments and other receivables		1,338,196	1,269,327
Cash and cash equivalents		1,023,403	901,573
Total current assets		6,399,642	5,875,236
TOTAL ASSETS		27,330,809	22,252,451
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	5,339,807	5,339,807
Share premium		342,974	342,974
Statutory reserve	7	1,774,085	1,774,085
General reserve		4,000	4,000
Fair value reserve		(181,603)	(198,084)
Effect of transactions with non-controlling interests without change in control		(187,979)	(187,979)
Foreign currency translation reserve		(1,772,988)	(1,744,616)
Retained earnings		2,135,572	1,797,256
Equity attributable to equity holders of the Company		7,453,868	7,127,443
Non-controlling interests		923,714	894,498
TOTAL EQUITY		8,377,582	8,021,941
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	4,083,019	4,265,996
Lease liabilities	16	4,019,808	--
Employee benefits		734,572	719,542
Deferred tax liability		101,519	91,195
Long term payables		206,174	207,268
Lease rentals		--	232,020
Derivative		200,300	197,131
Provision for asset restoration		139,373	90,716
Total non-current liabilities		9,484,765	5,803,868
Current liabilities			
Loans and borrowings	8	4,122,657	3,689,915
Lease liabilities	16	671,600	--
Trade payables		2,322,453	2,391,028
Current maturity of lease rentals		--	63,658
Accrued and other liabilities		2,351,752	2,282,041
Total current liabilities		9,468,462	8,426,642
TOTAL LIABILITIES		18,953,227	14,230,510
TOTAL LIABILITIES AND EQUITY		27,330,809	22,252,451

The accompanying notes 1 to 18 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	Three-months period ended September 30		Nine-months period ended September 30	
		2019	2018	2019	2018
Revenues	13	5,335,888	5,212,032	16,747,716	16,467,590
Cost of revenues	13	(4,251,710)	(4,280,034)	(13,434,912)	(13,560,233)
Gross profit		1,084,178	931,998	3,312,804	2,907,357
Share of results in investment in equity-accounted investees, net of zakat and tax and dividend income		215,499	206,819	538,558	555,750
Administrative expenses		(207,472)	(201,002)	(616,056)	(574,589)
Selling and distribution expenses		(665,102)	(767,915)	(2,238,691)	(2,424,133)
Results from operating activities		427,103	169,900	996,615	464,385
Finance income		8,807	14,323	28,362	50,139
Finance cost		(162,481)	(202,494)	(559,393)	(413,380)
Net finance cost		(153,674)	(188,171)	(531,031)	(363,241)
Reversal of provision no longer required	9	21,170	--	71,436	--
Gain on disposal of investment		--	--	--	3,269
Profit / (loss) before zakat and income tax		294,599	(18,271)	537,020	104,413
Zakat and income tax expense	9	(19,868)	(16,280)	(65,101)	(51,756)
Profit / (loss) for the period		274,731	(34,551)	471,919	52,657
Other Comprehensive Income					
<i>Items that will not be reclassified to profit or loss</i>					
Investments at fair value through other comprehensive income – net change in fair value		(3,854)	(22,518)	26,690	(61,628)
<i>Items that are or may be reclassified to profit or loss</i>					
Foreign operations - foreign currency translation differences		(737)	(573,320)	(39,446)	(612,755)
Investment in equity accounted investees – share of Other Comprehensive Income		(2,324)	(27,462)	(8,380)	(55,866)
Cash flow hedges - effective portion of changes in fair value		(678)	4,023	(1,829)	9,118
Other comprehensive loss		(7,593)	(619,277)	(22,965)	(721,131)
Total comprehensive income / (loss) for the period		267,138	(653,828)	448,954	(668,474)

The accompanying notes 1 to 18 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) (CONTINUED)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	Three-months period ended September 30		Nine-months period ended September 30	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit / (loss) for the period attributable to:					
Owners of the Company		221,756	(50,727)	338,316	5,609
Non-controlling interests		52,975	16,176	133,603	47,048
Profit / (loss) for the period		<u>274,731</u>	<u>(34,551)</u>	<u>471,919</u>	<u>52,657</u>
Total comprehensive income / (loss) for the period attributable to:					
Owners of the Company		216,063	(554,443)	326,425	(598,540)
Non-controlling interests		51,075	(99,385)	122,529	(69,934)
Total comprehensive income / (loss) for the period		<u>267,138</u>	<u>(653,828)</u>	<u>448,954</u>	<u>(668,474)</u>
Earnings / (loss) per share attributable to the Owners of the Company (in Saudi Riyals):					
Basic and diluted	11	<u>0.41</u>	<u>(0.09)</u>	<u>0.63</u>	<u>0.01</u>

The accompanying notes 1 to 18 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)

For the nine-month period ended September 30, 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 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	<u>5,339,807</u>	<u>342,974</u>	<u>1,774,085</u>	<u>4,000</u>	<u>(181,603)</u>	<u>(187,979)</u>	<u>(1,772,988)</u>	<u>2,135,572</u>	<u>7,453,868</u>	<u>923,714</u>	<u>8,377,582</u>

The accompanying notes 1 to 18 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) (CONTINUED)

For the nine-month period ended September 30, 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 period</u>											
Profit for the period	--	--	--	--	--	--	--	5,609	5,609	47,048	52,657
Other comprehensive loss	--	--	--	--	(108,376)	--	(495,773)	--	(604,149)	(116,982)	(721,131)
	--	--	--	--	(108,376)	--	(495,773)	5,609	(598,540)	(69,934)	(668,474)
Dividends	--	--	--	--	--	--	--	(533,981)	(533,981)	(113,750)	(647,731)
<u>Other changes / movements</u>											
Acquisition of non-controlling interest without change in control	--	--	--	--	--	(15,825)	--	--	(15,825)	15,825	--
Directors' remuneration	--	--	--	--	--	--	--	(1,650)	(1,650)	--	(1,650)
Other changes	--	--	--	--	--	(10,556)	--	--	(10,556)	--	(10,556)
Balance at September 30, 2018	<u>5,339,807</u>	<u>342,974</u>	<u>1,774,085</u>	<u>4,000</u>	<u>(217,025)</u>	<u>(187,979)</u>	<u>(1,756,282)</u>	<u>2,334,588</u>	<u>7,634,168</u>	<u>705,071</u>	<u>8,339,239</u>

The accompanying notes 1 to 18 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)

For the nine-month period ended September 30

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Profit for the period	471,919	52,657
Adjustments for:		
Depreciation	895,663	569,215
Net finance cost	531,031	363,241
Share of results in investment in equity accounted investees, net of zakat and tax and dividend income	(538,558)	(555,750)
Reversal of provision no longer required	(71,436)	--
Gain on disposal of investment	--	(3,269)
Gain on sale of property, plant and equipment	(4,089)	(4,981)
Zakat and income tax expense	65,101	51,756
	<u>1,349,631</u>	<u>472,869</u>
Changes in:		
Inventories	(300,496)	253,969
Trade receivables	(54,386)	(308,928)
Prepayments and other receivables	(480,151)	(286,424)
Trade payables	(45,190)	(52,600)
Employee benefits	17,530	84,192
Accrued and other liabilities	397,712	261,968
Cash generated from operating activities	<u>884,650</u>	<u>425,046</u>
Finance cost paid	(330,166)	(333,020)
Zakat and income tax paid	(57,526)	(82,666)
Net cash from operating activities	<u>496,958</u>	<u>9,360</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(218,440)	(249,717)
Proceeds from sale of property, plant and equipment	13,749	7,129
Net investment in FVTPL investments	(10,436)	(802)
Dividends received	293,436	258,914
Proceeds from sale of investments	--	28,022
Capital distribution from equity accounted investee	--	5,716
Net cash from investing activities	<u>78,309</u>	<u>49,262</u>
Cash flows from financing activities		
Net change in loans and borrowings – current	(589,107)	1,047,009
Net change in loans and borrowings – non-current	799,108	(259,720)
Dividends paid	(929)	(522,908)
Payment of lease liabilities	(521,826)	--
Net changes in non-controlling interests	(93,313)	(113,750)
Net cash (used in) / generated from financing activities	<u>(406,067)</u>	<u>150,631</u>

The accompanying notes 1 to 18 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 nine-month period ended September 30

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>2019</u>	<u>2018</u>
Net change in cash and cash equivalents	169,200	209,253
Effect of movement in exchange rates on cash and cash equivalents	(47,370)	(301,674)
Cash and cash equivalents at beginning of the period	901,573	1,298,117
Adjustment from adoption of IFRS 9	--	(10,546)
Cash and cash equivalents at end of the period - for cash flow purposes	<u>1,023,403</u>	<u>1,195,150</u>
Supplemental schedule of non-cash financial information:		
Fair value reserve	<u>16,481</u>	(108,376)
Foreign currency translation reserve	<u>(39,446)</u>	(612,755)
Effect of transactions with non-controlling interest without change in control	--	(26,381)

The accompanying notes 1 to 18 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 nine-month period ended September 30, 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 September 30, 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>September 30, 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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 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>September 30, 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.

(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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 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>September 30, 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 September 30, 2019, 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, 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>	<u>Direct ownership interest (%)</u>	
			<u>September 30, 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	Jordan	Dormant company	97.4	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 Gıda Yatım Ve Ticaret A.Ş (“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 Gıda Sanayi Ve Ticaret Anonim Şirketi	Turkey	Manufacturing of edible oils	100	100

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 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>September 30, 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
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e) Subsidiaries controlled through Al Maoun and Marasina

Alofog Trading DMMC	UAE	Trading and distribution	100	100
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** The effective ownership interest in ASCE is 68% (December 31, 2018: 68%).

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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>September 30, 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
<u>Giant</u>				
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.

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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, 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 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”).

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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. 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 16.

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3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statement 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 consolidated financial statements as at and for the year ending December 31, 2019.

The Group has initially adopted IFRS 16 Leases from January 1, 2019, the impact of which is explained in note 16. 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, under which the cumulative effect of initial application is recognised in 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.

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.

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.

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4. 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>September 30, 2019</u>	<u>December 31, 2018</u>
			<u>September 30, 2019</u>	<u>December 31, 2018</u>		
Almarai Company	Saudi Arabia	Fresh food products	34.52	34.52	7,620,142	7,404,199
Kinan International for Real Estate Development Company ("Kinan")	Saudi Arabia	Real estate	29.9	29.9	420,843	408,013
United Sugar Company, Egypt ("USCE") *	Egypt	Manufacturing of sugar	33.82	33.82	253,134	235,837
Al-Seera City Company for Real Estate Development	Saudi Arabia	Real estate	40	40	144,866	147,597
United Edible Oils Holding Limited	Cayman Islands	Holding company	51	51	49,061	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	16,000	16,270
					<u>8,531,189</u>	<u>8,300,864</u>

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

5. INVESTMENTS

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Investments held at fair value through other comprehensive income (note 5.1)	350,895	324,204
Investment at fair value through profit or loss	41,324	30,888
	<u>392,219</u>	<u>355,092</u>

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5. INVESTMENTS (continued)

5.1 Investments held at fair value through other comprehensive income

	<u>Country of incorporation</u>	<u>Principal business sector</u>	<u>Ownership interest (%)</u>		<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
			September 30, 2019	December 31, 2018				
<u>Quoted investments</u>								
Knowledge Economic City	Saudi Arabia	Real estate	6.4	6.4	209,382	197,652		
Emaar the Economic City	Saudi Arabia	Real estate	0.9	0.9	73,839	58,878		
Arab Phoenix Holdings Company	Jordan	Real estate	5	5	--	--		
<u>Unquoted investments</u>								
Swicorp, Saudi Arabia	Saudi Arabia	Investment management	15	15	67,674	67,674		
Joussour Holding Company	Saudi Arabia	Holding company	14.81	14.81	--	--		
					350,895	324,204		

6. SHARE CAPITAL

At September 30, 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.

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.

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8. 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:

	September 30, <u>2019</u>	December 31, <u>2018</u>
Non-current liabilities		
Secured bank loans	113,401	98,808
Unsecured bond issues (Sukuk) (note 8.2)	1,000,000	1,500,000
Unsecured bank loans	2,969,618	2,667,188
	<u>4,083,019</u>	<u>4,265,996</u>
Current liabilities		
Current portion of secured bank loans	109,295	167,922
Current portion of unsecured bank loans	606,731	970,310
Unsecured bond issues (Sukuk) (note 8.2)	993,000	--
Secured bank loan	517,339	200,250
Unsecured bank loans	1,850,225	2,294,839
Bank overdraft	46,067	56,594
	<u>4,122,657</u>	<u>3,689,915</u>
	<u>8,205,676</u>	<u>7,955,911</u>

- 8.1 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 long-term borrowings of subsidiaries are secured by corporate guarantees of the Parent Company.

As at September 30, 2019, loans and borrowings include sharia-compliant financing facilities amounting to SR 7.11 billion (December 31, 2018: SR 6.98 billion).

- 8.2 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.

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.

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8. LOANS AND BORROWINGS (continued)

- 8.3 Property, plant and equipment amounting to SR 284.2 million (December 31, 2018: SR 237.9 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.
- 8.4 Inventories amounting to SR 73 million (December 31, 2018: SR 25 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.
- 8.5 As at September 30, 2019, the Group has unused bank financing facilities amounting to SR 4.70 billion (December 31, 2018: SR 4.62 billion) to manage the short term and the long term liquidity requirements.

9. ZAKAT AND INCOME TAXES

(a) Zakat status

The Company has finalised its Zakat status up to the year 1998. The Company has an ongoing objection against the Zakat assessment issued by the General Authority of Zakat and Income Tax (GAZT) for the years 1999 and 2000 which showed Zakat differences of SR 1.9 million.

The assessments for the years 2001 to 2004 have been finalized. For the years 2005 to 2012, GAZT conducted a field audit on the Company's accounts and claimed additional Zakat difference of SR 85.8 million. The Company has objected the GAZT claim. The Company also filed the Zakat returns for the years 2013 to 2018.

The Company's Saudi subsidiaries received final zakat certificates for certain years and provisional zakat certificates for other years. Some Saudi subsidiaries received assessments from the GAZT concerning their zakat declarations for the years 2005 to 2017, in which the GAZT assessed additional zakat liabilities.

During the period, certain assessments were finalized with the GAZT and some of the related provisions were reversed. The subsidiaries have appealed against certain additional assessments. The Zakat differences as per the current appeals amounts to 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.

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10. CONTINGENCIES AND COMMITMENTS

	September 30,	December 31,
	<u>2019</u>	<u>2018</u>
	<u>Amounts in millions</u>	
Letters of credits	21	163
Bank guarantees	225	247
Commitments to buy raw sugar	517	350
Commitments to sell refined sugar	400	323
Capital commitments	38	99
	<u>Quantity in Metric tonnes</u>	
Commitments to buy raw sugar	464,001	306,259
Commitments to sell refined sugar	243,883	323,204

11. EARNINGS PER SHARE

Basic earnings per share for the period ended September 30, 2019 and September 30, 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 (September 30, 2018: 533.981 million) during such periods.

Diluted earnings per share for the period ended September 30, 2019 and September 30, 2018, have been computed by dividing the net profit and profit from continuing operations attributable to the owners of the Company for such periods 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.

12. 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 recognized an expense of SR 26.07 million for the period ended September 30, 2019 (September 30, 2018: SR 23.75 million).

Board of Directors' remuneration for the period ended September 30, 2019 amounting to SR 1.65 million (September 30, 2018: SR 1.65 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 2.25 million (September 30, 2018: SR 2.03 million) are charged to expenses and included under administrative expenses.

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12. RELATED PARTIES (continued)

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 recognized in the current or prior period 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>September 30 2019</u>	<u>2018</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
<u>Due from related parties – Trade receivables</u>						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	97,953	139,562	18,082	22,372
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	49,146	49,580	16,935	15,469
Western Bakeries Company	Affiliate	Trade	47,901	18,505	6,259	1,596
Almarai Company	Associate	Trade	39,834	48,761	4,865	3,593
Others			176	52	123	2,095
					<u>46,264</u>	<u>45,125</u>

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12. 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 2019</u>	<u>2018</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
<i>Due from related parties – Prepayments and other receivables</i>						
Kinan (Note 12.1)	Associate	Non-trade	--	10,701	--	73,015
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company	Associate	Non-trade	19,853	1,258	22,621	2,768
Seafood International Holdco.	Joint venture	Non-trade	--	--	6,011	6,011
Intaj Capital Limited	Associate	Non-trade	6,819	--	6,819	--
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	5,420	--	3,846	--
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	13,472	32,926	--	7,513
					39,297	89,307
<i>Due to related parties – Trade payables</i>						
Almarai Company	Associate	Trade	559,245	562,734	100,558	83,915
Nestle Saudi Arabia	Affiliate	Trade	294,307	285,509	45,445	41,115
Mayar Food Company	Affiliate	Trade	95,960	105,842	11,667	34,124
Del Monte Saudi Arabia	Affiliate	Trade	51,072	66,949	6,645	4,194
Seafood International One	Associate	Trade	28,465	9,306	3,737	4,027
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	18,306	13,479	3,635	2,584
Al Manhal Water Factory Company	Affiliate	Trade	4,482	11,000	1,558	1,894
USCE	Associate	Trade	14,167	20,625	--	--
Others			13,564	--	1,653	1,411
					174,898	173,264

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12. 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 2019</u>	<u>2018</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
<u>Due to related parties – Accrued and other liabilities</u>						
USCE	Associate	Non-trade	42,910	63,748	54,043	20,372
Kinan	Associate	Non-trade	24,857	32,939	--	10,300
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	5,087	--	4,821	3,125
Del Monte Saudi Arabia	Affiliate	Non-trade	2,363	--	712	--
Others			327	476	199	--
					59,775	33,797

12.1 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 period ended September 30, 2019, the outstanding balance has been received.

13. 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.

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13. OPERATING SEGMENTS (continued)

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	
September 30, 2019							
External revenues	6,709,645	8,668,241	940,611	429,219	--	--	16,747,716
Inter segment revenue	233,213	2,439	21,175	23,895	31,937	(312,659)	--
Segment Revenue	6,942,858	8,670,680	961,786	453,114	31,937	(312,659)	16,747,716
Cost of revenues	(5,876,368)	(6,878,342)	(669,211)	(291,713)	--	280,722	(13,434,912)
Segment net profit / (loss)	252,619	(331,091)	146,448	18,931	322,314	(70,905)	338,316
Segment assets	7,491,706	7,873,000	2,057,104	962,808	14,561,946	(5,615,755)	27,330,809
Segment liabilities	5,238,431	7,012,559	1,108,390	771,476	6,745,607	(1,923,236)	18,953,227
	Reportable Segments						
	Food Processing	Retail	Food services	Frozen Foods	Investments	Others / Eliminations	Total
September 30, 2018							
External revenues	7,337,082	8,248,559	881,949	--	--	--	16,467,590
Inter segment revenue	237,449	2,516	20,125	--	34,094	(294,184)	--
Segment Revenue	7,574,531	8,251,075	902,074	--	34,094	(294,184)	16,467,590
Cost of revenues	(6,564,075)	(6,606,055)	(647,676)	--	--	257,573	(13,560,233)
Segment net profit / (loss)	99,095	(631,996)	151,738	--	429,853	(43,081)	5,609
December 31, 2018							
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

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14. 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 periods ended September 30, 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.

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14. 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
September 30, 2019								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	41,324	--	--	--	41,324	--	--	41,324
Future exchange contracts used for hedging	--	--	12,211	--	--	12,211	--	12,211
Other future exchange contracts	--	49,256	--	--	--	49,256	--	49,256
Call option	--	1,499	--	--	--	--	1,499	1,499
Equity securities (Note 5)	--	--	--	350,895	283,221	--	67,674	350,895
	<u>41,324</u>	<u>50,755</u>	<u>12,211</u>	<u>350,895</u>	<u>324,545</u>	<u>61,467</u>	<u>69,173</u>	<u>455,185</u>
<i>Financial liabilities measured at fair value</i>								
Interest rate swaps used for hedging	--	--	543	--	--	543	--	543
Future exchange contracts used for hedging	--	--	49,075	--	--	49,075	--	49,075
Other future exchange contracts	--	14,477	--	--	--	14,477	--	14,477
Put option	--	200,300	--	--	--	--	200,300	200,300
	<u>--</u>	<u>214,777</u>	<u>49,618</u>	<u>--</u>	<u>--</u>	<u>64,095</u>	<u>200,300</u>	<u>264,395</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 5)	--	--	--	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>

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14. 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

15. 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.

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15. 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 September 30, 2019 and December 31, 2018 is as follows:

	September 30, <u>2019</u>	December 31, <u>2018</u>
Total liabilities	18,953,227	14,230,510
Less: Cash and cash equivalents	(1,023,403)	(901,573)
Adjusted net debt	17,929,824	13,328,937
Total equity	8,377,582	8,021,941
Hedging reserve	543	(1,286)
Adjusted equity	8,378,125	8,020,655
Adjusted net debt to adjusted equity ratio	2.14	1.66

16. 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 recognized 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.

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16. 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 recognized 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%

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

b) Impact for the period:

During the nine-month period ended September 30, 2019, the Group recognised SR 402.4 million of depreciation charges and SR 199.7 million of interest costs from these leases, resulting in a carrying value of SR 4,537 million and SR 4,691 million for right of use assets and lease liabilities respectively as at September 30, 2019.

17. 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 period or prior periods 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)

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors Safar 29, 1441H, corresponding to October 28, 2019.