



Shareholders' Circular

This Circular has been prepared in connection with the Significant Transaction of Savola Group Company

Savola Group Company

The Board of Directors of Savola Group Company, a Saudi joint stock company, established by virtue of Ministerial Decision No. M/21 dated 29/03/1398H (corresponding to 09/03/1978G) and registered under Commercial Register No. 4030019708 issued in the city of Jeddah on 21/07/1399H (corresponding to 16/06/1979G) ("**Savola**" or the "**Company**"), at its meeting held on []H (corresponding to []G), approved the proposed distribution of Savola's entire shareholding in Almarai Company as an in-kind distribution with book value of SAR eight billion, eight hundred and seven million, six hundred ninety five thousand (8,807,695,000) consisting of three hundred forty-five million, two hundred eighteen thousand and two hundred and thirty six (345,218,236) ordinary shares (the "**Almarai Stake**") as on 30 June 2024G, currently listed on the Main Market of the Saudi Exchange ("**Tadawul**" or the "**Saudi Exchange**") representing, at the latest practicable date prior to the date of the Shareholders' Circular (the "**Circular**"), amounting to 34.52% of the share capital of Almarai Company, a Saudi listed joint stock company with Commercial Registration No. 1010084223 issued in the city of Riyadh on 19/12/1411H (corresponding to 01/07/1991G) ("**Almarai**"), in accordance with applicable KSA laws and regulations (the "**Significant Transaction**"). The Significant Transaction will become effective if the Extraordinary General Meeting of Savola (the "**EGM**") approves the Significant Transaction and if Savola obtains all regulatory approvals in connection with the Significant Transaction.

Financial Advisor



This Circular contains the opinions of the Board of Directors and the Specialized Committee (as defined below), in addition to the advice provided by a financial advisor licensed by the Capital Market Authority (the "**CMA**"). The Financial Advisor has been appointed by Savola to provide the advisory services in accordance with the requirements of Paragraph (b) of Article 122 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the CMA, pursuant to its Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA's Board Resolution No. 3-6-2024, dated 05/07/1445H (corresponding to 17/01/2024G) (the "**OSCOs**").

Please read this Circular carefully prior to making any decision in connection with the Significant Transaction. If you do not understand the contents of this document, you should obtain professional advice from a licensed financial advisor to determine the effects of the Significant Transaction and obtain an independent evaluation thereof.

This Circular was prepared in accordance with the requirements of the OSCOs. The Directors jointly and severally accept full responsibility for the accuracy of the information contained herein and confirm, after conducting all reasonable inquiries, that to the best of their knowledge and belief there are no other material facts the omission of which in this Circular would result in a misleading statement. The CMA and Saudi Exchange shall not assume any responsibility for the contents of this Circular, and shall not give any assurance regarding its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from what is stated in this Circular or from reliance on any part thereof.

In addition, the Directors confirm that they have conducted due diligence they deemed sufficient under these circumstances and that the Significant Transaction is in the interest of Savola and its Shareholders.

This Circular is unofficial English translation of the official Arabic Circular and is provided for information purposes only. The Arabic Circular remains the only official, legally binding version shall prevail in the event of any discrepancy between the two language versions.

This Circular was issued on []H (corresponding to []G).

Important Notice

Savola has prepared this Circular in order to provide information to its Shareholders to enable them to make an informed decision when voting on the recommendation of the Board to approve the Significant Transaction. The information contained in this Circular is of a general nature and has been prepared without taking into account the individual investment objectives, financial situation or investment needs of any particular Shareholder. Prior to voting on the Significant Transaction, it is the responsibility of each Shareholder to obtain independent professional advice from a financial advisor licensed by the CMA to determine the effects of the Significant Transaction and obtain an independent assessment thereof and of the information contained in this Circular with respect to the Shareholder's individual objectives, financial situation and needs.

This Circular provides information regarding the Significant Transaction. When voting on the Significant Transaction at Savola's Extraordinary General Assembly to be held for this purpose, the Shareholders will be treated as voting solely on the basis of information contained in this Circular, which was published as part of the invitation to the Extraordinary General Assembly. Neither the provision of this Circular nor any oral or written information in relation to the Significant Transaction is intended to be, or should be, construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Circular contains information provided in accordance with the requirements of Article 123 of the OSCOs in connection with the Significant Transaction.

Savola has appointed Riyadh Capital as the financial advisor (the "**Financial Advisor**") to advise in relation to the Significant Transaction in accordance with the requirements of Article 122 of the OSCOs. The information contained as of the date of this the Circular is subject to change. In particular, the financial position of Savola and the value of its Shares could be adversely affected by future developments, such as inflation, economic, political or other factors beyond Savola's control (for further details, please refer to Section 2 ("**Risk Factors**") of this Circular). Neither the provision of this Circular nor any oral or written information in relation to the Significant Transaction, is intended to be, or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Circular shall not be considered as a recommendation by the Financial Advisor or the other advisors to vote in favor of the Significant Transaction.

Savola does not intend to take any action to register this Circular in any country, and therefore it is expressly prohibited to distribute this Circular in any country other than the Kingdom of Saudi Arabia. All recipients of this Circular must review and adhere to all legal restrictions related to this Circular.

Subject to the applicable laws and regulations, including Article 49 of the OSCOs, Savola shall submit a supplementary shareholders' circular at any time after this Circular has been shared with the Shareholders and prior to the Extraordinary General Assembly meeting is convened, if it becomes aware of any of the following: (a) there has been a significant change in any material information contained in this Circular; or (b) any significant matters arise that should have been included in this Circular. Except in the aforementioned circumstances, Savola does not intend to update or amend any information contained in this Circular, whether as a result of new information, future events, or otherwise.

Savola's consolidated financial statements for the financial year ended 31 December 2023G and the six month period ended 30 June 2024G, and the accompanying notes thereto, as well as Almarai's consolidated financial statements for the financial year ended 31 December 2023G and the six month period ended 30 June 2024G, and the accompanying notes thereto, have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the Kingdom and other standards and issuances approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA). Savola's consolidated financial statements for the financial year ended 31 December 2023G and the condensed interim consolidated financial statements for the six-month period ended 30 June 2024G have been audited by KPMG Professional Services ("**KPMG**"). Almarai's financial statements for the financial year ended 31 December 2023G have been audited and the condensed interim consolidated financial statements for the six-month period ended 30 June 2024G have been reviewed by Almarai's auditors.

Certain financial and statistical information contained in this Circular has been rounded to the nearest whole number. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in this Circular and the financial statements.

This Circular contains information in relation to Almarai, which has been extracted from public disclosures previously made by Almarai. Savola is not responsible for the truth and accuracy of public disclosures made by Almarai, but is responsible to ensure that all such information which is included in this Circular has been faithfully and accurately extracted. Savola is not responsible, and makes no commitment, to update the disclosures in relation to Almarai which appear in this Circular in the event that Almarai subsequently discloses information which contradicts that which was previously publicly disclosed by Almarai and included in this Circular. For the avoidance of doubt Almarai and its board of directors are not responsible for the content of this Circular, but are responsible in accordance with applicable laws and regulations for the content of the public disclosures made by Almarai from which certain information in this Circular has been extracted by Savola.

For an explanation of certain defined terms and abbreviations used in this Circular, please refer to Annex A ("**Glossary and Definitions**") of this Circular.

Circular Summary

<p>Name, Description and Incorporation of Savola</p>	<p>Savola Group Company is a Saudi joint stock company, established by virtue of Ministerial Decision No. M/21 dated 29/03/1398H (corresponding to 08/03/1978G) and registered under Commercial Register No. 4030019708 issued in the city of Jeddah on 21/07/1399H (corresponding to 16/06/1979G). Its current share capital is eleven billion three hundred thirty-nine million eight hundred six thousand eight hundred forty Saudi riyals (11,339,806,840), divided into one billion one hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (1,133,980,684) fully paid ordinary shares, with a nominal value of ten Saudi riyals (SAR 10) per share.</p>
<p>Name, Description and Incorporation of Almarai</p>	<p>Almarai Company is a Saudi joint stock company, established by virtue of Ministerial Decision No. 773 dated 06/05/1426H (corresponding to 13/06/2005G) and registered under Commercial Register No. 1010084223 issued in the city of Riyadh on 19/12/1411H (corresponding to 01/07/1991G). Its current share capital is ten billion Saudi riyals (SAR 10,000,000,000), divided into one billion (1,000,000,000) fully paid ordinary shares, with a nominal value of ten Saudi riyals (SAR 10) per share.</p>
<p>Summary of Savola's Activities</p>	<p>Savola's activities pursuant to its Commercial Register No. 4030019708, dated 21/07/1399H (corresponding to 16/06/1979G) consist of carrying out head office activities.</p> <p>Savola's activities, as stated in its Bylaws, are to carry out and implement the following purposes:</p> <ul style="list-style-type: none"> a- Head office activities (oversight and management of other units of Savola or establishment). b- Production, marketing and sale of vegetable oils and margarine, purchasing and importing all the machinery, machines, appliances, equipment and means of transportation, building and establishing laboratories and factories necessary for the company's purposes and industries, warehouses to preserve, store and display its products, and other aspects that the company needs to use in manufacturing, storage, sale, purchase, import and export and establish other industries complementary to its industries alone or jointly and jointly with other companies, institutions and individuals. c- Manufacturing and trading foodstuffs of all kinds, purchasing and importing all the necessary factories, machinery, equipment, materials and means of transportation, as well as building the necessary laboratories and factories to achieve this purpose, and establishing and purchasing warehouses and refrigerators to preserve, store and display products and foodstuffs. d- Manufacturing and trading in glass, plastic, metal and paper containers, packaging covers and other packaging tools related to the company's purposes. e- Establishing and managing plant and animal farms related to the realization of the company's objects and reclaiming and investing in agricultural lands. f- Production of liquid and compound fertilizers, rare elements, and agricultural and industrial disinfectants. g- Wholesale and retail trade in food, household, office and school supplies, clothing, electrical appliances, toiletries, perfumes, automotive supplies, equipment, paints, and trade them through supermarkets. h- Establishing and managing supermarkets, whether for the company or for others. i- Establishing and managing restaurants and bakeries. j- Establishing and managing cold storage warehouses. k- Exporting, importing, commercial undertakings and commercial agencies within the company's activities after being registered in accordance with statutory requirements. l- Buying and selling land, real estate and factories necessary to achieve the company's objectives. m- Conducting research and studies related to the company's objectives. <p>Savola may implement and achieve its objectives within the Kingdom and abroad, including free zones inside and outside the Kingdom, in accordance with applicable regulations and after obtaining the necessary licenses from the competent authorities.</p> <p>Savola conducts its activities through its head office in the city of Jeddah.</p>

Summary of Almarai's Activities

Almarai's activities pursuant to its Commercial Register No. 1010084223 issued in the city of Riyadh on 19/12/1411H (corresponding to 01/07/1991G) consist of raising of cattle and animal production support activities.

Almarai's activities, as stated in its Bylaws, are to carry out and implement the following purposes:

- a- Production, manufacture, canning and distribution of all dairy products, cheeses, agricultural products and foodstuffs prepared for human or animal consumption.
- b- Agricultural and animal production, including cultivation of agricultural crops, raising cattle, poultry, apiaries, fish, shrimp and other sea, river and other water surface products, and the production of raw milk and all kinds of meat, eggs and honey.
- c- Establishment, operation, maintenance and management of cattle farms and other agricultural, animal and industrial products, slaughter houses, installation and maintenance of agricultural and manufacturing machinery, irrigation equipment, green houses, silos, lease of agricultural equipment, protection, coordination and planting gardens and parks and fighting agricultural pests.
- d- Investment in industrial fields, particularly the production, canning, packing, packaging, marketing and distribution of all foodstuffs, fruits, vegetables, dairy products, ice creams, sweets, juices, sauces, jams, potable water, desalinated, gaseous and mineral water, ice tea and coffee and all kinds of non-alcoholic drinks, bread, pastries, candies and other bakery products.
- e- Production and distribution of packaging and container materials and accessories, of various types, production, packing, import, export and distribution of vitamins and improved mineral salts for feed and fertilizers of all kinds, agricultural and industrial disinfectants, animal feed and supplies for cattle, poultry, fish farms and slaughter houses.
- f- Wholesale and retail trade in agricultural crops, foodstuffs, electric and electronics devices, agricultural and industrial machinery and equipment, plant, household utensils, readymade clothes and import and export all of the foregoing.
- g- Installation, operation, maintenance, development, management and integration of electric and electronic devices and systems, machinery, equipment, agricultural and industrial machines, computer and telecommunication networks and all matters related to security and safety and rendering all related services and consultancies.
- h- Establishment, operation and management of hotels, restaurants, kitchens, rest houses, buffets and cafes, and rendering tourist services.
- i- Storing and cooling and, in particular, ownership, use, maintenance, renting and lease out warehouses and foodstuff cold stores.
- j- Commercial agency works and distribution contracts.
- k- Purchase, sale and renting lands, real estate and factories necessary to achieve the Company's objectives.
- l- Private civilian security guards.
- m- Land transport.
- n- Wholesale of security devices.

Almarai's Substantial Shareholders

The following table sets out the number of shares and the percentage of ownership of Almarai's substantial shareholders as at the date of this Circular (i.e., those who own 5% or more of the Almarai's shares) before and after the Significant Transaction:

Shareholder	Pre-Significant Transaction Ownership (Direct)		Post-Significant Transaction Ownership (Direct)	
	Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
Savola	345,218,236	34.522%	-	-
The Saudi Agriculture and Livestock Investment Company (SALIC)	163,233,480	16.323%	163,233,480	16.323%
Sultan Holding Company	236,956,536	23.696%	236,956,536	23.696%

Almarai's Share Capital	Ten billion Saudi riyals (SAR 10,000,000,000).
Almarai's Total Number of Shares	One billion (1,000,000,000) fully paid ordinary shares, with a nominal value of ten Saudi riyals (SAR 10) per share.
Nominal Value of each share of Almarai	The nominal value per share is ten Saudi riyals (SAR 10).
Structure of the Significant Transaction	The proposed distribution of Savola's entire shareholding to eligible shareholders (" Shareholders ") as an in-kind distribution, with book value of SAR eight billion, eight hundred and seven million, six hundred ninety five thousand (8,807,695,000) consisting of three hundred forty-five million, two hundred eighteen thousand and two hundred and thirty six (345,218,236) ordinary shares (the " Almarai Stake ") currently listed on the Main Market of the Saudi Exchange (" Tadawul " or the " Saudi Exchange ") representing, at the latest practicable date prior to the date of this Shareholders' Circular (the " Circular "), amounting to 34.52% of the share capital of Almarai Company, a Saudi listed joint stock company with Commercial Registration No. 1010084223 issued in the city of Riyadh on 19/12/1411H (corresponding to 01/07/1991G) (" Almarai "), in accordance with applicable KSA laws and regulations (the " Significant Transaction ").
Purpose of the Significant Transaction	Distribution of to the Almarai Stake its shareholders providing Savola's Shareholders direct exposure to both companies. (for further details, please refer to Section 1.2 (" Why is Savola proposing the Significant Transaction ") of this Circular).
Key Required Procedures	<ul style="list-style-type: none"> • Provision of the invitation to hold the EGM and the agenda of the EGM to the CMA; • The Shareholders' approval of the Significant Transaction at the EGM, based on the recommendation of the Board of Directors; and • Any other regulatory requirements, if any. <p>Shareholders should carefully read this Circular in its entirety, in particular the Section ("Important Notice") and Section 2 ("Risk Factors") of this Circular, prior to making any decision to vote on the Significant Transaction.</p>

This Circular summary provides a brief overview of the information contained herein. It does not include all information that may be relevant to the Shareholders. This summary should be read as an introduction to this Circular. Accordingly, Shareholders should read and review this Circular in full. Any decision regarding the approval of the Significant Transaction should be reached by the Shareholders after fully taking this Circular into account.

Furthermore, the Significant Transaction under this Circular is subject to the approval of the EGM and other procedures detailed in Section 8 ("**Required Procedures**") of this Circular. An invitation to hold the EGM to approve the Significant Transaction was issued on 19/12/1411H (corresponding to 01/07/1991G). Shareholders shall note that if their approval of the Significant Transaction is not obtained, if the additional measures detailed in Section 8 ("**Required Procedures**") of this Circular are not taken, or if the Significant Transaction is cancelled before the EGM is convened, the Significant Transaction will not take place, which will result in termination of the Significant Transaction and cancellation of this Circular (in the event that the Significant Transaction is cancelled before the EGM is convened), and the Shareholders will be notified of the same.

Key Dates

Expected Timeline for Completion of the Significant Transaction Procedures [TBD]

Expected Timeline for Capital Reduction and Significant Transaction	Date
1. Board Recommendation on the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction	
The Company's Board of Directors resolved to recommend to the EGM the following:	
<ul style="list-style-type: none"> Reduce the Company's share capital from eleven billion, three hundred and thirty-nine million, eight hundred and six thousand, eight hundred and forty Saudi Riyals (SAR 11,339,806,840) to three billion Saudi Riyals (SAR 3,000,000,000) by canceling eight hundred and thirty-three million, nine hundred and eighty thousand, six hundred and eighty-four (833,980,684) ordinary shares of the Company's issued shares, at a decrease rate of approximately 73.54% of the number of shares. 	23/03/1446H (corresponding to 26/09/2024G)
<ul style="list-style-type: none"> Distribute the entire Almarai Stake to the Company's Eligible Shareholders as an in-kind distribution, amounting to 345,218,236 ordinary shares representing 34.52% of Almarai's share capital. 	
<ul style="list-style-type: none"> As the distribution of the entire Almarai Stake is a Significant Transaction subject to the approval of the Company's Shareholders pursuant to Article 121 of the OSCOs, vote on the Significant Transaction for approval. 	
The Company's announcement on Tadawul's website regarding (1) its Board of Directors' recommendation to the EGM to reduce the Company's share capital and the appointment of the financial advisor for the Capital Reduction; (2) its Board of Directors' recommendation to the EGM to distribute to the Eligible Shareholders the full Almarai Stake as in-kind dividends for a value of SAR 345,218,236 representing 34.52% of Almarai's share capital; (3) its Board of Directors' recommendation to the EGM to vote on the Significant Transaction for approval; (4) the appointment of a financial advisor for the Significant Transaction; and (5) the formation of the specialized committee in relation to the Significant Transaction in accordance with the provisions of Article 122 of the OSCOs.	23/03/1446H (corresponding to 26/09/2024G)
2. Procedures relating to obtaining the CMA approval for the Capital Reduction	
Submission of the Capital Reduction application file to the CMA and Tadawul for approval.	28/03/1446H (corresponding to 01/10/2024G).
Obtaining CMA approval of the Capital Reduction application.	24/04/1446H (corresponding to 27/10/2024G).
3. Procedures relating to the Creditor Objection Period in relation to the Capital Reduction	
Announcing the start of the Creditor Objection Period.	23/03/1446H (corresponding to 26/09/2024G).
Announcing the continuation of the Creditors Objection Period.	25/04/1446H (corresponding to 28/10/2024G).
End of the Creditor Objection Period.	10/06/1446H (corresponding to 11/12/2024G).
Announcement of the presence or absence of creditor objections.	[•]H (corresponding to [•]G).
4. Procedures Relating to the EGM to be held for the voting on the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction	
Invitation to attend the EGM to vote on the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction (with a reference to the possibility of holding a second meeting one hour after the end of the period specified for the first meeting, in the event that the quorum required to hold the first meeting is not met) and announcing the same on Tadawul's website.	[•]H (corresponding to [•]G).
Publication of this Circular	[•]H (corresponding to [•]G).

Expected Timeline for Capital Reduction and Significant Transaction	Date
Providing the documents available for inspection in relation to the Significant Transaction and the Capital Reduction, including this Circular and the circular of the Capital Reduction (within a period of not less than fourteen (14) days prior to the date of the EGM to vote on the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction, and during official working hours from nine (9:00) a.m. to five (5:00) p.m.	From nine (9:00) a.m. to five (5:00) p.m. starting from [●]H (corresponding to [●]G) to [●]H (corresponding to [●]G).
Commencement of E-voting on the items of the EGM including Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction (first meeting).	Starting from [●]H (corresponding to [●]G) until the end of the EGM.
EGM (first meeting) of Savola including the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction is hold (the quorum for the first meeting shall be valid if attended by a number of shareholders representing at least half of the Company's share capital).	[●]H (corresponding to [●]G).
EGM (second meeting), which includes the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction is hold one hour after the end of the period specified for the first EGM in case the quorum required for its convening is not met. The quorum for the second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the Company's share capital.	[●]H (corresponding to [●]G).
EGM approval of the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction.	[●]H (corresponding to [●]G).
Announcement of the results of the EGM on Tadawul's website.	[●]H (corresponding to [●]G).
5. Procedures in relation to the non-achievement of the Quorum at the First and Second Meetings of the EGM	
Announcement of the invitation to the third meeting of the EGM on the Saudi Stock Exchange website at least twenty-one (21) days before the date set therefor.	[●]H (corresponding to [●]G).
Commencement of E-voting period for shareholders in the third meeting of the Extraordinary General Assembly.	[●]H (corresponding to [●]G).
Holding the third meeting of the EGM. The quorum for holding the third meeting of the EGM shall be achieved regardless of the number of shares represented therein.	[●]H (corresponding to [●]G).
The Company's announcement of the results of the EGM (third meeting) on Tadawul's website.	[●]H (corresponding to [●]G).
6. Procedures Relating to Finalizing the Capital Reduction Process and Significant Transaction	
Submission to the CMA of a copy of the EGM minutes.	Within ten (10) days from the date of the EGM
The Capital reduction decision becomes effective and is announced as part of the EGM's resolutions.	[●]H (corresponding to [●]G).
Suspension of trading of the shares on Saudi Tadawul for two (2) trading days, starting from the day following the EGM's approval of the Capital Reduction.	[●]H (corresponding to [●]G).
Adjusting the share price after the Capital Reduction on the day following the suspension of trading of the shares.	[●]H (corresponding to [●]G).
Publication of the EGM's minutes on the Company's website in accordance with the regulations.	Within ten (10) days from the date of the EGM
Announcing the deposit of the Compensation (i.e., Almarai shares) in relation to the capital reduction and the in-kind distribution of the remaining Almarai Stake for Eligible Shareholders resulting from the cancellation of shares and the Significant Transaction, within seven (7) following the date of the EGM.	[●]H (corresponding to [●]G).
Announcing the deposit of proceeds from the sale of the Company's fractional shares (if any) resulting from the Company's Capital Reduction and the deposit of the amounts resulting from the sale of Savola's fractional shares held in Almarai (if any) resulting from the Significant Transaction into the accounts of the Eligible Shareholders within thirty (30) calendar days from EGM date.	[●]H (corresponding to [●]G).



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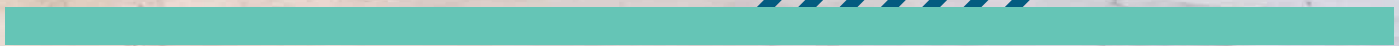


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1.
Q&A ON THE
SIGNIFICANT
TRANSACTION

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1. Q&A ON THE SIGNIFICANT TRANSACTION

The following summary of questions and answers has been prepared to help explain the Significant Transaction. This Circular should be read in full and Shareholders should not rely solely on the summary questions and answers set out below.

1.1 What is the Significant Transaction?

The Significant Transaction represents the proposed distribution of Savola's entire shareholding in Almarai to the eligible Shareholders of Savola ("**Shareholders**") as in-kind distribution with book value of eight billion, eight hundred and seven million, six hundred and ninety five thousand (8,807,695,000) Saudi Riyals consisting of three hundred forty-five million, two hundred eighteen thousand and two hundred and thirty six (345,218,236) ordinary shares (the "**Almarai Stake**") as at 30 June 2024G, currently listed on the Main Market of the Saudi Exchange ("**Tadawul**" or the "**Saudi Exchange**") representing, at the latest practicable date prior to the date of this Shareholders' Circular (the "**Circular**"), amounting to 34.52% of the share capital of Almarai Company, a Saudi joint stock company with Commercial Registration No. 1010084223 issued in the city of Riyadh on 19/12/1411H (corresponding to 01/07/1991G) ("**Almarai**"), in accordance with applicable KSA laws and regulations (the "**Significant Transaction**").

The Significant Transaction would be executed by:

- Distributing SAR 8,339,806,840 worth of Almarai shares (number of shares would be determined on the Eligibility Date) as compensation resulting from the process of Savola's Capital Reduction; and
- Distributing remaining Almarai shares held by Savola through retained earnings as dividends in-kind.

Savola will record a one-time gain / capital gain, after deducting transaction costs incurred thereby on the distribution of its entire stake in Almarai, which will be measured as the difference between fair value based on the prevailing market price of Almarai shares on Tadawul and carrying value, at the Eligibility Date.

1.2 Why is Savola proposing the Significant Transaction?

Savola's Board of Directors have conducted a comprehensive review of the reasons and feasibility of the Significant Transaction and have concluded that it serves the interests of its Shareholders.

Savola's implementation of the Significant Transaction forms the last part of four interlinked transactions, namely: (1) a rights issue; (2) debt repayment; (3) Capital Reduction; (4) distribution of Savola's entire stake of 34.52% held in Almarai to Savola's eligible Shareholders, in accordance with applicable KSA laws and regulations (i.e., the Significant Transaction). The Capital Reduction, which entails canceling shares of Savola as a result of excess capital along with the gain based on the difference between the fair value and carrying value of Savola's stake held in Almarai, will enable the distribution in-kind. The actual gain on the distribution of Almarai shares is sensitive to the fair value of Almarai (based on the prevailing market price of Almarai shares on Tadawul) as at the Eligibility Date. The rights issue has been approved by Savola's extraordinary general assembly dated 21/02/1446H (corresponding to 25/08/2024G) whereas the proposed Capital Reduction and Significant Transaction would be approved simultaneously at the EGM (for more information regarding the expected timeline for completing the Capital Reduction process and the Significant Transaction, please refer to the table ("**Key Dates**") on page (vi) and (vii) of this Circular).

The Significant Transaction will result in the distribution of Almarai Stake representing 34.52% of the share capital of Almarai, in accordance with applicable KSA laws and regulations, to the Shareholders as a distribution in-kind, allowing Savola to complete the implementation of the four aforementioned interlinked transactions, and therefore achieving the following:

- 1- **Direct Ownership of Almarai Shares:** Savola shareholders currently hold a direct stake in Savola and an indirect stake in Almarai. The distribution is an opportunity for Savola's shareholders to hold a direct stake in both Savola and Almarai and benefit from the performance, potential growth trajectory and dividend potential of both Companies. On receipt of Almarai shares by eligible shareholders, eligible Shareholders of Savola will have flexibility of whether to hold onto Almarai shares or sell them in the market, empowering them to make investment decisions based on their financial goals and market conditions.
- 2- **Focus on Savola's core investment portfolio:** By segregating Savola's core operations from the stake held in Almarai, the Company will continue to focus better on future growth prospects of its main businesses' activities, namely, Savola Foods, Panda Retail, Al Kabeer Group, and Herfy, which are leading food and retail businesses offering high-quality products and well-known brands generating accelerated growth opportunities, which benefit from attractive market conditions. This will further enhance Savola's positioning in the market by virtue of Savola's majority stake in the aforementioned companies.

1.3 Why is the approval of the Extraordinary General Assembly of Savola's Shareholders required for the Significant Transaction?

Pursuant to Articles 116 and 121 of the OSCOs, the Extraordinary General Assembly of Savola's Shareholders must approve the Significant Transaction. In particular, if any percentage of the class tests in the planned Significant Transaction reaches 50% or more, the issuer must obtain the prior approval of its shareholders at the general assembly meeting. To determine whether a transaction is considered material or not, the issuer shall evaluate the size of the transaction in comparison to the size of the company or asset that is the subject matter of the Significant Transaction. This comparison shall be made using the percentage ratios resulting from the application of the class test calculations to this Significant Transaction. The class tests as stipulated in the OSCOs are: (a) the asset test; (b) the profit test; (c) the revenue test; and (d) the consideration test.

Given that the profit test (which was calculated by dividing the total comprehensive income attributable by Almarai (the subject matter of the Significant Transaction) to Savola by the total comprehensive income of Savola, based on the most recent reviewed interim or audited annual financial statements, whichever is later) exceeds 50%, the approval of Extraordinary General Assembly of Savola's Shareholders for the Significant Transaction is required.

1.4 Why was the Specialized Committee formed and what is its role in the Significant Transaction?

The Specialized Committee was formed pursuant to Article 122 of the OSCOs, which stipulates that in respect of any Significant Transaction subject to shareholder approval, Savola shall form a specialized committee (consisting solely of independent Directors or of other independent persons, or both, who have no substantial interest in the proposed Significant Transaction).

Based on the above, on 22/02/1446H (corresponding to 26/08/2024G), the Board of Directors formed the "Specialized Committee," whose role is to advise the Shareholders on whether the terms of the Significant Transaction are fair and reasonable, and whether the Significant Transaction is in the interest of Savola and all of its Shareholders.

1.5 How will the Significant Transaction be implemented?

The Significant Transaction requires the EGM's approval of the relevant Significant Transaction resolution.

1.6 When will the Significant Transaction be completed?

Savola aims to complete the Significant Transaction procedures in [2024]G.

2. RISK FACTORS



2. RISK FACTORS

Prior to making any decision to vote on the Significant Transaction at the EGM, the Shareholders should carefully read all the information contained in this Circular, including in particular the risk factors listed below.

The risks and uncertainties set out below are those that the Board of Directors currently believes are relevant to the Significant Transaction. However, the risk factors described in this Section are not inclusive of all the risks that Savola may encounter, as there could be other risks currently unknown to, or considered immaterial by, Savola, in relation to the Significant Transaction. Furthermore, there are additional risks and uncertainties unrelated to the Significant Transaction that apply both to Savola and Almarai. The occurrence of any such risks and uncertainties may materially and adversely effect on Savola and Almarai's business, results of operations, financial position and prospects.

The Board of Directors further declare that, to the best of their knowledge and belief, there are no known material risks the omission of which would affect decisions taken by the Shareholders to vote on the Significant Transaction as of the date of this Circular, except as disclosed in this Section.

The risks set out below are presented in an order that does not reflect their importance or their anticipated effect on Savola and/or the Share Price.

2.1 Risks Related to the Completion of the Significant Transaction

The completion of the Significant Transaction depends on several factors that are beyond Savola's control. Such factors include the approval of the Savola's Capital Reduction and Significant Transaction by the Extraordinary General Assembly (for further details on the background of the Significant Transaction, please refer to Sub-Section 1.2 ("**Why is Savola proposing the Significant Transaction?**") of Section 1 ("**Q&A on the Significant Transaction**") of this Circular. Savola is targeting the completion of the Significant Transaction to occur in 2024G. A delay in the completion of the Significant Transaction could result in a delay in the execution of Savola's intended (announced) strategy.

2.2 Risks Related to Fluctuations in the Market Price of Almarai's Shares Post-Significant Transaction

The price of Almarai's shares may fluctuate after the Significant Transaction, may be subject to a large degree of fluctuation and may not be stable due to several factors including, but not limited to, the following:

- market volatility and price fluctuations;
- negative changes in the operational performance of Almarai;
- actual or forecasted fluctuations in quarterly or annual operating results;
- the publication of unfavorable research reports by securities analysts about Almarai or its competitors;
- negative public reaction to Almarai's press releases and other public announcements;
- the resignation or retirement of key employees;
- press reports about Almarai;
- changes in the regulatory environment that affect Almarai;
- changes in applicable accounting principles and policies;
- the occurrence of terrorist or hostile acts or widespread civil unrest;
- the occurrence of natural disasters and the spread of epidemics and other disasters;
- changes in policies pegging the Saudi riyal to the US dollar; and/or
- changes in general market and economic conditions.

If any of these risks or other factors occur, this could lead to a significant decline in the market price of Almarai's shares.

In general, from time-to-time the Saudi stock market experiences extreme price and volume fluctuations. Periodic and constant market fluctuations could result in extreme volatility in the price of the listed shares, which could cause a decline in the value of Almarai's shares and higher price volatility if the trading volume of Almarai's shares is low; this would have an adverse effect on the Shareholders' value of the ownership of their Almarai's shares. Following the Significant Transaction, the Shareholders shall be responsible for managing their own holding of Almarai shares, including their decision on whether and when to hold or sell them, and to take advice on the implications of their investment decisions with respect to their individual tax position.

2.3 Risks Related to Non-Transferability of Almarai Shares to Savola Shareholders with Inactive Portfolio Accounts or to Shareholders Not Holding Share Certificates

Savola shareholders holding physical share certificates and shareholders having unresolved issues with their portfolio accounts may face challenges in receiving the Almarai shares. These challenges can lead to delays in transfer of the Almarai, potential loss of market opportunities for the receiving shareholder, and increased administrative burdens for the Company. Moreover, the non-transferability of Almarai shares might restrict the Savola shareholders' ability to participate in corporate actions of Almarai, potentially impacting the overall liquidity and value realization of their investment.

Eligible shareholders who are physical share certificate holders will receive Almarai shares in proportion to their physical share certificates. However, the Eligible Shareholders would not be able to receive Almarai shares if their share certificates are not registered in investment portfolios with brokers and the Securities Depository Center Company ("**Edaa**"). If the procedures for depositing the certificates into the investment portfolio are not completed, Almarai share certificates will be issued, which can be claimed by the share certificate holders after completing the required procedures at Edaa and Almarai.

2.4 Risks Related to Potential Zakat and Tax Liability

The Zakat Implementing Regulations, which were recently issued under Ministerial Resolution No. 1007 dated 19/08/1445H (corresponding to 29/02/2024G), set out a new method for calculating the Zakat Base and applies to Zakat payers for the financial years starting on or after 1 January 2024G. Given that the Zakat Implementing Regulations have been implemented recently, Savola could possibly make errors when implementing the regulatory requirements as a result of varying interpretations and applications with the authority which could lead to Zakat differences upon undergoing Zakat assessments by the Zakat, Tax and Customs Authority (ZATCA). Should that occur, it would have an impact on the Company's business, results of operations, financial position, and prospects.

Additionally, gains resulting from the disposal of listed shares are subject to zakat. For the fiscal year 2024G, zakat will primarily be influenced by the gains arising from the remeasurement gain associated with the derecognition of the Almarai investment and its impact on zakat-able income. Ordinarily, an increase in retained earnings resulting from the remeasurement gain would elevate the zakat base in subsequent years. However, the distribution of Almarai shares is expected to reduce the retained earnings balance. ZATCA regulations consider the amended income should represent the minimum balance subject to zakat and, accordingly, zakat would be calculated on the profit derived from the remeasurement gain associated with the derecognition of the Almarai investment. However, if the total non-deductible assets, combined with the difference between the adjusted net profit and the unadjusted net profit, is less than the adjusted net profit, then the minimum zakat base for the zakat payer will be the total non-deductible assets combined with the difference between the adjusted net profit and the unadjusted net profit. In such case, it is expected to result in a lower zakat base than would otherwise be calculated, provided the transaction is initiated and finalized within a single fiscal year. Consequently, should the Significant Transaction not be fully completed during the year 2024G, the Company's zakat base would increase and result in a higher zakat liability, which would have an adverse and material impact on the Company's business, results of operations, financial position, and prospects.

For further information, please refer to Section 7 ("**Taxation and Zakat**") of this Circular.

2.5 Risks Related to the Capital Reduction

The Company's implementation of the Capital Reduction forms part of a four-stage transaction, namely: (1) a rights issue; (2) debt repayment; (3) Capital Reduction; and (4) Savola's distribution of the Almarai Stake. As the proposed full distribution by Savola of the Almarai Stake, implemented through the Capital Reduction and retained earnings, will constitute a significant transaction in accordance with Article 122 of the OSCOs, Savola will publish a separate circular on the Significant Transaction for its shareholders consideration and approval at the EGM approving the Capital Reduction (for further details on the Capital Reduction please refer to Savola's separately published Capital Reduction circular).

As the Capital Reduction and Significant Transaction are interlinked, the potential risks associated with the Capital Reduction are set out below.

2.5.1 Risks Related to Future Expectations

The working capital adequacy for the 12 months following the Capital Reduction has been prepared and calculated based on management's assumptions about the Company's operational performance during this period. The sector in which the Company operates, like other sectors, is affected by the level of the market supply and demand fluctuations. Therefore, a decrease in the level of demand will impact the productivity of companies within the sector in general, and consequently, it will affect the Company's performance, results of operations, financial position, and prospects.

2.5.2 Liquidity Risks

Liquidity risks relate to the Company's inability to meet its financial obligations as they fall due. As, there is no guarantee that the Company will be able to meet its obligations on their due dates in the future. The Company does not guarantee the non-occurrence of any emergent or sudden events which may require immediate liquidity, which will adversely affect the Company's operations and, consequently, its financial and operational results.

2.5.3 Risks Related to Creditor Objections

One of the conditions for the Capital Reduction process is allowing creditors to object to the Capital Reduction decision at least 45 days before the scheduled date of the EGM. If a creditor objects and provides the Company with documentation within said timeframe, the Company must pay the creditor if the debt is due immediately or provide sufficient collateral if the debt is deferred. If the company is unable to do so, the Capital Reduction process will be halted until the Company is able to satisfy this obligation.

2.5.4 Risks Related to Share Price Fluctuations and the Impact on Fractional Share Compensation

The Company's share price may experience significant fluctuations and instability due to various factors, including market conditions related to the shares and regulatory changes in the sector. If the market price of shares declines after the Capital Reduction, shareholders will lose value in their investments. Additionally, the impact on the value of fractional share compensation is similar to the effect of share price fluctuations, as these fractions will be sold at the prevailing market price at the time.

2.5.5 Risks Related to Holding a Single Share

If a shareholder holds only one share, it will be canceled, and the shareholder will be compensated with fractional shares that will be sold at that time. It is important to note that trading of the Company's shares will be suspended for two business days following the EGM's approval, and Edaa will apply the reduction to the shareholders' investment portfolios based on Article 36(6-c) of the Listing Rules.

2.5.6 Risks Related to Near-Term Strategy Implementation

Failure to implement the Capital Reduction will not allow the Company to distribute the Almarai Stake to its Eligible Shareholders, subject to several factors (such as the approval of the relevant regulatory authorities and the general assembly of the Company's shareholders). If the Company fails to implement the Capital Reduction, this will have a negative impact on the Company's strategy.

3.

PROPOSED STRUCTURE AND OBJECTIVE OF THE SIGNIFICANT TRANSACTION



3. PROPOSED STRUCTURE AND OBJECTIVE OF THE SIGNIFICANT TRANSACTION

3.1 Overview of Savola

3.1.1 Overview of Savola's Business

Savola Group Company (the "**Company**" or "**Savola**") is a Saudi joint stock company, with Commercial Register No. 4030019708 issued in the city of Jeddah on 21/07/1399H (corresponding to 16/06/1979G). The head office of the Company is located in the city of Jeddah, Taha Kusaifan Street, Ash Shati District, Building No. 2444 Taha Kusaifan, 23511-7333 Jeddah, Kingdom of Saudi Arabia.

The Company's current share capital is eleven billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (11,339,806,840) Saudi Riyals divided into one billion, one hundred thirty-three million, nine hundred eighty thousand, six hundred eighty-four (1,133,980,684) ordinary shares with nominal value of ten (10) Saudi Riyals per share.

Savola is one of the leading strategic investment holding companies in the MENAT (Middle East, North Africa and Turkey) region, which continued to develop leading brands and build a diversified and growing investment portfolio in leading companies in the food and retail sectors. Through its subsidiaries, the Company operates a leading grocery store chain in the Kingdom, and produces much-loved consumer food products, including edible oils, fats, sugar, pasta, nuts, spices, pulses, snacking, bakery products and frozen foods, which are distributed and exported to its customers in over 50 countries worldwide.

3.1.2 Financial Highlights – Savola

The following table sets out the key financial indicators of Savola for the financial years ended 31 December 2021G, 2022G and 2023G and the six-month periods ended 30 June 2024G and 30 June 2023G:

SARm	Financial year ended 31-Dec-21	Financial year ended 31-Dec-22	Financial year ended 31-Dec-23	6m period ended 30 June 2024	6m period ended 30 June 2023
Revenue	24,669	28,055	26,818	13,157	13,908
Net Profit	396	865	1,070	543	579
Total Comprehensive Income	439	406	756	194	386
Total Assets	28,546	29,565	29,963	29,319	29,712
Total Liabilities	19,454	20,248	20,428	19,625	20,492

Source: [Reported financial statements of Savola]

3.2 Overview of Almarai

3.2.1 Overview of Almarai's Business¹

Almarai Company ("**Almarai**") is a Saudi joint stock company, with Commercial Register No. 1010084223 issued in the city of Riyadh on 19/12/1411H (corresponding to 01/07/1991G). The head office of Almarai is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia.

¹ Source: Tadawul

Almarai's current share capital is ten billion Saudi riyals (SAR 10,000,000,000), divided into one billion (1,000,000,000) fully paid ordinary shares, with a nominal value of ten Saudi riyals (SAR 10) per share.

Almarai is the world's largest vertically integrated dairy company and the region's largest food and beverage manufacturing and distribution company. Headquartered in the Kingdom, Almarai is ranked as the number one Fast Moving Consumer Goods brand in the Middle East & North Africa region and is the market leader in most of its categories across the Gulf Cooperation Council. After more than 40 years of sustainable growth, Almarai continues to provide nutritious and healthy products to consumers of all ages, with success derived from the bedrock principle of (Quality you can trust). In addition to its high-quality dairy products, Almarai has diversified its product portfolio to include juices, bakery, and poultry under the brand names Almarai, Lusine, 7DAYS, Albashayer and Alyoum.

3.2.2 Financial Highlights – Almarai

The following table sets out the key financial indicators of Almarai for the financial years ended 31 December 2021G, 2022G and 2023G and the six-month period ended 30 June 2024G and 30 June 2023G:

SARm	Financial year ended 31-Dec-21	Financial year ended 31-Dec-22	Financial year ended 31-Dec-23	6m period ended 30 June 2024	6m period ended 30 June 2023
Revenue	15,850	18,722	19,576	10,613	9,859
Net Profit	1,579	1,778	2,052	1,314	1,193
Total Comprehensive Income	1,488	1,584	1,765	1,104	1,004
Total Assets	31,754	32,074	36,194	35,166	33,609
Total Liabilities	15,136	15,091	18,385	17,208	16,778

Source: [Reported financial statements of Almarai]

3.2.3 Ownership Structure

As of the date of this Circular, Almarai's share capital is ten billion Saudi riyals (SAR 10,000,000,000), divided into one billion (1,000,000,000) fully paid ordinary shares, with a nominal value of ten Saudi riyals (SAR 10) per share.

The following table sets out the number of shares and the percentage of ownership of Almarai's substantial shareholders as at the date of this Circular (i.e. those who own 5% or more of the Almarai's shares) before and after the Significant Transaction:

Table (3.1): Almarai's Substantial Shareholders' Ownership Before and After the Significant Transaction:

Shareholder	Pre-Significant Transaction Ownership (Direct)		Post-Significant Transaction Ownership (Direct)	
	Number of Shares	Ownership (%)	Number of Shares	Ownership (%)
Savola	345,218,236	34.522%	-	-
The Saudi Agriculture and Livestock Investment Company (SALIC)	163,233,480	16.323%	163,233,480	16.323%
Sultan Holding Company	236,956,536	23.696%	236,956,536	23.696%

Source: Annual report of Almarai

3.3 Proposed Structure of the Significant Transaction

The proposed structure of the Significant Transaction is the distribution of Savola's entire shareholding with book value of SAR eight billion, eight hundred and seven million, six hundred ninety five thousand (8,807,695,000) consisting of three hundred forty-five million, two hundred eighteen thousand and two hundred and thirty six (345,218,236) ordinary shares as of 30 June 2024G, currently listed on the Main Market of the Saudi Exchange representing, at the latest practicable date prior to the date of this Circular, amounting to 34.52% of the share capital of Almarai, in accordance with applicable KSA laws and regulations, to the Shareholders as a distribution in-kind.

3.4 Objective of the Significant Transaction

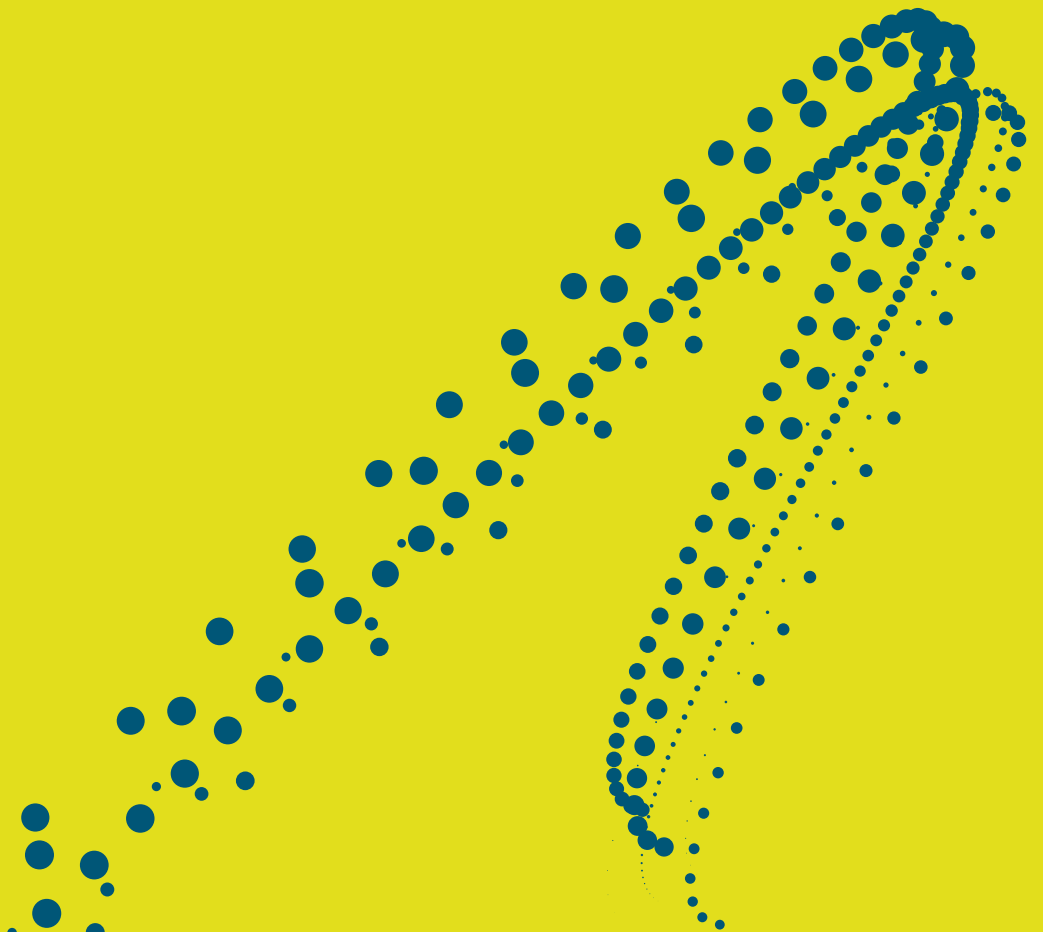
Savola's implementation of the Significant Transaction forms the last part of four interlinked transactions, namely: (1) a rights issue; (2) debt repayment; (3) Capital Reduction; (4) distribution of Savola's entire stake of 34.52% held in Almarai to Savola's eligible Shareholders, in accordance with applicable KSA laws and regulations (i.e., the Significant Transaction). The Capital Reduction, which entails canceling shares of Savola as a result of excess capital along with the gain based on the difference between the fair value and carrying value of Savola's stake held in Almarai, will enable the distribution in-kind. The actual gain on distribution of Almarai is sensitive to fair value of Almarai (based on the prevailing market price of Almarai shares on Tadawul) as at the Eligibility Date. The rights issue has been approved by Savola's extraordinary general assembly dated 21/02/1446H (corresponding to 25/08/2024G) whereas the proposed Capital Reduction and Significant Transaction would be approved simultaneously at the EGM.

The Significant Transaction will result in the distribution of Savola's Almarai Stake representing 34.52% of the share capital of Almarai, in accordance with applicable KSA laws and regulations, to the Shareholders as a distribution in-kind, allowing Savola to complete the implementation of the four aforementioned interlinked transactions, and therefore achieving the following:

- **Direct Ownership of Almarai Shares:** Savola shareholders currently hold a direct stake in Savola and an indirect stake in Almarai. The distribution is an opportunity for Savola's shareholders to hold a direct stake in both Savola and Almarai and benefit from the performance, potential growth trajectory and dividend potential of both Companies. On receipt of Almarai shares by eligible shareholders, eligible Shareholders of Savola will have flexibility of whether to hold onto Almarai shares or sell them in the market, empowering them to make investment decisions based on their financial goals and market conditions.
- **Focus on Savola's core investment portfolio:** By segregating Savola's core operations from the stake held in Almarai, the Company will continue to focus better on the future growth prospects of its main businesses' activities, namely, Savola Foods, Panda Retail, Al Kabeer Group, and Herfy, which are leading food and retail businesses offering high-quality products and well-known brands generating accelerated growth opportunities which benefit from attractive market conditions. This will further enhance Savola's positioning in the market by virtue of Savola's majority stake in the aforementioned companies.

4.

FINANCIAL INFORMATION ILLUSTRATING THE IMPACT OF THE SIGNIFICANT TRANSACTION



4. FINANCIAL INFORMATION ILLUSTRATING THE IMPACT OF THE SIGNIFICANT TRANSACTION

The impact of the Significant Transaction on Savola from a financial perspective is set out below.

4.1 Impact on Assets

Savola owned consolidated assets amounted to SAR 28,545.9 million, SAR 29,564.6 million, SAR 29,962.7 million, and SAR 29,319.2 million, as of the financial years ended 31 December 2021G, 2022G, and 2023G and the six-month period ended 30 June 2024G, respectively. Meanwhile, for the same periods, Almarai held assets worth SAR 31,754.3 million, SAR 32,074.0 million, SAR 36,194.0 million, and SAR 35,166.4 million, respectively. Savola records Almarai as an Equity accounted investee, and recorded SAR 8,293.4 million, SAR 8,387.5 million, SAR 8,771.0 million, and SAR 8,807.7 million, as of the financial years ended 31 December 2021G, 2022G, and 2023G and the six-month period ended 30 June 2024G, respectively representing 29.1%, 28.4%, 29.3% and 30.0% of its owned consolidated assets. As a result of the Significant Transaction, Savola's owned consolidated assets will decrease by SAR 8,807.7 million as it will derecognize the investment in Almarai from its financial statements.

Table (4.1): Impact on Assets

SARm	Financial position as of 30 June 2024 (before the distribution)	Distribution of Almarai	Pro-forma Financial position as of 30 June 2024 (after the distribution)
Savola's Consolidated Assets	29,319.2	(8,807.7)	20,511.5
Almarai's Consolidated Assets	35,166.4	-	35,166.4
Savola's Equity Accounted Investee recorded of Almarai	8,807.7	(8,807.7)	-

4.2 Impact on Total Equity

Savola's total equity amounted to SAR 9,091.8 million, SAR 9,316.7 million, SAR 9,534.5 million, and SAR 9,694.2 million, as of the financial years ended 31 December 2021G, 2022G, and 2023G and the six-month period ended 30 June 2024G, respectively. Meanwhile, for the same periods, Almarai's total equity amounted to SAR 16,618.4 million, SAR 16,982.9 million, SAR 17,808.8 million, and SAR 17,958.8 million.

The impact on Savola's and Almarai's total equity based on the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2024G will be as follows:

Table (4.2): Impact on Total Equity

SARm	Financial position as of 30 June 2024 (before rights issue)	Rights issue	Financial position as of 30 June 2024 (before the distribution)	Distribution of Almarai	Pro-forma Financial position as of 30 June 2024 (after the distribution)
Savola's Total Equity-	9,694.2	6,000	15,694.2	(8,807.7)	6,886.5
Almarai's Total Equity-	17,958.8	-	17,958.8	-	17,958.8

Table (4.3): Savola's Total Equity and Equity Accounted Investees Before and After the Capital Reduction and Distribution*:

(SAR million)	Before Capital Reduction (Q2 2024G) (A)	Capital Increase by way of a Rights Issue (approved by the EGM on 25/08/2024G) (B)	Pro-forma Financial Statements After Rights Issue (C = A + B)	Capital Reduction approved by the EGM on []/[]/[]G (D)	Distribution-in-kind of remaining Almarai Stake, approved by the EGM on []/[]/[]G(E)	After Capital Reduction and Distribution-in-kind (F = C + D + E)
Equity						
Share Capital**	5,339.8	6,000.0	11,339.8	(8,339.8)	-	3,000.0
Share Premium	343.0	-	343.0	-	-	343.0
Shares held under employees' share based payment plan	(120.8)	-	(120.8)	-	-	(120.8)
General Reserve	4.0	-	4.0	-	-	4.0
Other Reserves**	(491.7)	-	(491.7)	173.8	239.9	(78.0)
Effect of Transactions with Non-controlling Interests without Change in Control	(220.8)	-	(220.8)	-	-	(220.8)
Foreign Currency Translation Reserve	(2,632.2)	-	(2,632.2)	-	-	(2,632.2)
Retained Earnings**	6,401.6	-	6,401.6	4,465.5	(5,347.1)***	5,520.0
Equity Attributable to Owners of the Company	8,622.9	6,000.0	14,622.9	(3,700.5)	(5,107.2)	5,815.2
Non-controlling Interest	1,071.3	-	1,071.3	-	-	1,071.3
Total Shareholders' Equity	9,694.2	6,000.0	15,694.2	(3,700.5)	(5,107.2)	6,886.5
Assets						
Equity-accounted investees	9,288.8	-	9,288.8	(3,700.5)	(5,107.2)	481.1
Statement of profit or loss						
Gain on distribution/derecognition	-	-	-	4,465.5	6,163.1	10,628.6

* The distribution of the Almarai Stake is part of the Company's strategy which consists of four phases, namely: (1) a rights issue; (2) debt repayment; (3) capital reduction; (4) distribution of the Almarai Stake to Savola's Eligible Shareholders, in accordance with applicable KSA law and regulation (i.e., the Significant Transaction). For further details, please refer to the shareholders' circular for the Significant Transaction that will be published on Tadawul's website along with the invitation to the EGM.

** The Company has used the fair value of Almarai (based on quoted market price on Tadawul of SAR 57.50 per share) amounting to SAR 19,850.0 million as at 21 October 2024G for calculation of gain, amounting to SAR 10,628.6 million, after adjusting for release of other reserves associated with the investment in Almarai amounting to SAR 413.7 million, upon derecognition of the investment in Almarai carrying value amounting to SAR 8,807.7 million as at 30 June 2024G. The actual gain on distribution of Almarai is sensitive to the fair value of Almarai (based on quoted market price on Tadawul) and will be based on the actual date of eligibility involving the transfer of Almarai shares to the Savola shareholders.

Other reserves represent Savola's share (34.52%) of certain items in other comprehensive income and equity recognized in Almarai's books, which contribute to Almarai's equity and have accumulated as of June 30, 2024. These items in Almarai books include foreign currency translation, cashflow hedges, share based payment and other equity account movements. This reserve will be released upon derecognition of the investment in Almarai, in accordance with the equity method of accounting as per International Financial Reporting Standards.

The increase to retained earnings on Capital Reduction amounting to SAR 4,465.5 million represents the gain on derecognition of the investment in Almarai that was distributed to shareholders in connection with the Capital Reduction.

The net decrease to retained earnings on distribution in-kind of remaining Almarai stake amounting to of SAR 5,347.1 million represents reduction of retained earnings attributed to the distribution in-kind amounting to SAR 11,510.2 million, partly offset by the gain on derecognition of remaining investment in Almarai amounting to SAR 6,163.1 million.

The overall distribution of Almarai investment contributed to a net reduction of total equity amounting to SAR 8,807.7 million that was effectuated by reduction of share capital and retained earnings by SAR 8,339.8 million and SAR 881.6 million respectively, and an increase to other reserves by SAR 413.7 million.

The number of shares to be split between the distribution via capital reduction and the distribution via retained earnings cannot be determined at this stage as it is dependent on Almarai share price as of the Eligibility Date. However, the following can be currently confirmed:

- Total number of shares to be distributed – 345,218,236 as mentioned in this Circular.
- Value of Almarai shares that will be distributed via capital reduction SAR 8,339,806,840. How many Almarai shares this equates to will depend on Almarai share price on Eligibility Date.

For example, if SAR 57.50 were to be Almarai share price, 145,040,119 shares of Almarai would be distributed via capital reduction and 200,178,117 shares would be distributed via retained earnings.

The distribution will be through a capital reduction of 145,040,119 shares (at the closing price of Almarai's share of SAR 57.50 as of October 21, 2024). The number of shares distributed through the capital reduction has been calculated by dividing the capital reduction amount of SAR 8,339,806,840 by the closing price of Almarai's share. The remaining number of shares will complete Savola's shareholding in Almarai, which amounts to 345,218,236 shares (i.e., the difference between 345,218,236 shares and 145,040,119 shares, which equals 200,178,117 shares). Therefore, the distribution of the remaining retained earnings will be 200,178,117 shares.

*** The above table does not include the impact of transaction costs.

Source: Reported Q2 2024G financial statements of Savola Group used as the base on which adjustments relating to the SAR 6.0 billion capital increase and the subsequent debt repayment using the proceeds from the rights issue have been made. Please refer to the Auditor's Report on capital increase for further details.

4.3 Impact on Net Profits

Savola's net profits for the financial years ended 31 December 2021G, 2022G and 2023G and the six month period ended 30 June 2024G amounted to SAR 396.1 million, SAR 864.9 million, SAR 1,070.5 million and SAR 542.5 million, respectively. Meanwhile Almarai's net profits for the same periods amounted to SAR 1,579.4 million, SAR 1,778.1 million, SAR 2,051.5 million and SAR 1,314.5 million, respectively. Savola records Almarai as an Equity accounted investee, and recorded SAR 474.5 million, SAR 439.3 million, SAR 728.7 million as of the financial years ended 31 December 2021G, 2022G, and 2023G, respectively as contribution to its total comprehensive income from Almarai. As a result of the Significant Transaction, Savola's share of net profit from Almarai will become nil. Savola will record a one-time gain from the distribution of its entire stake in Almarai, measured as the difference between fair value based on the prevailing market price of Almarai shares on Tadawul and carrying value, at the Eligibility Date. For a discussion of the risks related to the distribution of 34.52% of the ownership interest in Almarai, please refer to Section 2.1 ("**Risks related to the Completion of the Significant Transaction**").

4.4 Impact on Revenue

Savola's revenue for the financial years ended 31 December 2021G, 2022G and 2023G and the six-month period ended 30 June 2024G was SAR 24,669.2 million, SAR 28,054.7 million, SAR 26,818.3 million and SAR 13,156.8 million, respectively, while Almarai's revenue for the same period was SAR 15,849.7 million, SAR 18,722.3 million, SAR 19,575.6 million and SAR 10,613.3 million, respectively. Savola records Almarai as an Equity accounted investee and the distribution of 34.52% of the ownership interest in Almarai will have no impact on Savola's revenue reporting. For a discussion of the risks related to the distribution of 34.52% of the ownership interest in Almarai, please refer to Section 2.1 ("**Risks related to the Completion of the Significant Transaction**").

4.5 Impact on Savola's Share Price

Table (4.4): Share Price Calculation Methodology after Capital Reduction and Distribution*:

Item	Value (estimate)
a- Savola illustrative value per share before capital reduction (SAR)**(Closing price on the EGM dated []H (corresponding to []G) (A)	27.30
b- Savola Number of shares before capital reduction and post rights issue (B)	1,133,980,684
c- Illustrative market value before capital reduction = (A*B) (SAR) (C)	30,957,672,673
d- The entire stake of Savola in Almarai Company to be distributed – SAR*** (D)	19,850,048,570
e- Distribution of Almarai stake facilitated through Capital Reduction**** (E)	(8,339,806,840)
f- Distribution of Savola's remaining Almarai Stake from the retained earnings, which illustratively represents an impact of approximately SAR 38.37 per share based on the number of shares after the capital reduction ***** = (F=D+E) – SAR	(11,510,241,730)
g- Illustrative market value after capital reduction and compensation of Shareholders, excluding the distribution of Almarai Stake from the retained earnings (G=C+E) – in SAR	22,617,865,833
h- Number of shares after capital reduction (H)	300,000,000

Item	Value (estimate)
i- Illustrative value per share post capital reduction and compensation of shareholders, excluding the distribution of Almarai Stake from the retained earnings *****= (G) / (H) - SAR	75.39
j- Illustrative market value after the distribution of Almarai Stake (implemented through the Capital Reduction and retained earnings = (J=F+G) – SAR	11,107,624,103
k- Illustrative value per share post the capital reduction and compensation of the shareholders, including the distribution of Savola's stake in Almarai from the retained earnings***** = (J)/ (H) - SAR	37.03

* The above figures are estimates for illustrative purposes only (including the estimated share price of SAR 37.03). The figures are automatically calculated directly after the Capital Reduction and the impact of the distribution of Almarai Stake from the retained earnings referred to in (f) in the table above. It is expected that upon resumption of trading of the shares, the Company's share price will be adjusted immediately and will again be subject to the normal market conditions and fluctuations.

** Price as of the date of the Circular (to be updated with the closing price on the day of the EGM upon publication of the final Circular, i.e. after the approval of the EGM and the entry into force of the Capital Reduction resolution). Currently presented as the share price as of 21 October 2024G.

*** The Company has used the fair value of Almarai (based on quoted market price on Tadawul of SAR 57.50) as of 21 October 2024G to calculate the gain from the distribution of Almarai Stake. The actual gain on distribution of Almarai shares is sensitive to the fair value of Almarai (based on quoted market price on Tadawul), and therefore will be based on the Eligibility Date.

**** Capital reduction rate (approximately 73.54%) *Number of shares before reduction.

***** The total distribution of Almarai investments contributed to a net decrease in total equity of SAR 8,807.7 million, through a reduction in share capital and retained earnings of SAR 8,339.8 million and SAR 881.6 million respectively, and an increase in other reserves of SAR 413.7 million.

***** Note: Estimated share price after Capital Reduction has been rounded. The illustrative price of SAR 75.39 does not include the impact of the distribution of Almarai Stake from the retained earnings. However, the illustrative share price of SAR 37.03 reflects the impact of the distribution of the entire Almarai stake through the Capital Reduction and the retained earnings.

4.6 Significant Transaction Costs

Savola will bear all expenses and costs related to the Significant Transaction. These include the fees of financial advisors, legal advisors, auditor, and other advisors, in addition to the regulatory fees, marketing, printing and distribution expenses, staff incentive and other expenses.

5.

VIEWS OF THE BOARD ON THE SIGNIFICANT TRANSACTION

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5. VIEWS OF THE BOARD ON THE SIGNIFICANT TRANSACTION

Pursuant to Articles 116 and 121 of the OSCOs, the Significant Transaction requires the approval of the EGM of Savola's Shareholders, given that the profit test is in excess of 50% (please refer to Section 1.3 ("Why is the approval of Savola's EGM required for the Significant Transaction?") of this Circular.

5.1 Formation of the Specialized Committee

On 22/02/1446H (corresponding to 26/08/2024G), the Board formed the Specialized Committee required pursuant to Article 122 of the OSCOs. The Specialized Committee consists of the following members:

Table (5.1): Members of the Specialized Committee

Name	Position	Nationality	Independence	Date of Appointment
Waled Abdullah Saad Ghri	Committee Member	Saudi	Independent Board Member	26/08/2024G
Rakan Abdulaziz Mohammed Al Fadl	Committee Member	Saudi	Independent Board Member	26/08/2024G
Mutaz Qusai Hassan AlAzzawi	Committee Member	Saudi	Independent Person	26/08/2024G
Abdulrahman Mohammed Ramzi Addas	Committee Member	Saudi	Independent Person	26/08/2024G

Source: The Company

The experience, qualifications and current and other positions of the members of the Specialized Committee members are set out below:

- **Waled Abdullah Saad Ghri**

Current positions: CEO, Board member and Executive committee member at the National Energy Services Company; Advisory committee member at SABIC-Home of Innovation.

Previous positions: Deputy Director for Energy Services Company sector development (Saudi Energy Efficiency Program), Head of Public Equities (Saudi Aramco); Senior Financial Analyst (Saudi Aramco).

Qualifications: MBA from ESADE Business School, Spain; Bachelor's degree in finance from Virginia Tech, USA.

Experience: Business management, Development of strategic plans, Financial Analysis, Organizational Change management, Operational Excellence, in addition to membership in several committees.

- **Rakan Abdulaziz Mohammed Al Fadl**

Current positions: Founder and Director of London Realty Limited; Executive Director and Board Member at Alfadl Group; Board Member and President and CEO of Sahara Building Contractors; Board Member and Investment Committee Member at Alfadl Investments; Board Member and Investment Committee Member at Alfadl Real Estate.

Previous positions: Running his group of companies.

Qualifications: Bachelor's degree in finance and economics from Babson College, USA.

Experience: Several managerial and leadership positions and Board memberships in Al Fadl Group of Companies; Sits on a number of other Boards and Committees.

- **Mutaz Qusai Hassan AlAzzawi:**

Current positions: Managing Director of his Group of Companies; Chairman of Herfy Co.; Chairman of Arabian Cement Co.; Vice Chairman of Riyadh Bank; Chairman of Qatrana cement; Board of Director member of: Mobily, SICEP Co., ST&T Co., and Wusataa Co.

Previous positions: Running his group of companies; Director of Merrill Lynch, KSA.

Qualifications: Bachelor's degree in computer engineering from King Saud University, KSA.

Experience: Investment, Trade, Financial Markets, Construction Management, Banking, and M&A; Sits on a number of other Boards and Committees.

- **Abdulrahman Mohammed Ramzi Addas:**

Current positions: Board Member of Kinan real estate development co., Alinma Bank, Al Rabie Saudi Food, and Environment Fund, Chairman of the Board of Diyar Al Khayyal Real Estate Development, and Tunisian Saudi Bank, Member of the Risk, Governance and Compliance Committee of General Authority for Zakat, Tax and Customs, and Member of the Investment and Loans Committees at Agriculture Development Fund.

Previous positions: Chairman of Savola World Board of Trustees for CSR and Member of Savola Group Board and the Remuneration and Nomination Committee, several senior executive positions at the National Commercial Bank, Managing Director for Real Estate Investment Group in charge of real estate investments, and Member of the Executive and Strategic Committees at SEDCO.

Qualifications: Master's degree in business administration (Finance major) - University of Denver, USA. Bachelor's degree in business administration (First Degree Honors) - King Abdulaziz University, KSA.

Experience: Banking, risk management, strategic management and investment.

None of the members of the Specialized Committee has any substantial interest in the Significant Transaction (please refer to Section 1.4 ("**Why was the Specialized Committee formed and what is its role in the Significant Transaction?**") of this Circular).

5.2 Recommendation of the Board

Savola's implementation of the Significant Transaction forms the last part of four interlinked transactions, namely: (1) a rights issue; (2) debt repayment; (3) Capital Reduction; (4) distribution of Savola's entire stake of 34.52% held in Almarai to Savola's eligible Shareholders, in accordance with applicable KSA laws and regulations (i.e., the Significant Transaction). The Capital Reduction, which entails canceling shares of Savola as a result of excess capital along with the gain based on the difference between the fair value and carrying value of Savola's stake held in Almarai, will enable the distribution in-kind. The actual gain on distribution of Almarai is sensitive to fair value of Almarai as at the Eligibility Date. The rights issue has been approved by Savola's extraordinary general assembly dated 21/02/1446H (corresponding to 25/08/2024G) whereas the proposed Capital Reduction and Significant Transaction would be approved simultaneously at the EGM.

The Significant Transaction will result in the distribution of Savola's Almarai Stake representing 34.52% of the share capital of Almarai, in accordance with applicable KSA laws and regulations, to the Shareholders as a distribution in-kind, allowing Savola to conclude the last part of the four interlinked transactions. The Board, having considered the Letter from the Specialized Committee, recommending a vote in favor of the Significant Transaction, and the Letter from the Financial Advisor provided to the Specialized Committee, recommends that the Shareholders vote in favor of the Significant Transaction at the EGM. The Board reserves the right to withdraw or modify its recommendation in accordance with the legal duties and obligations of the Directors. As of the date of this Circular, the Board has not withdrawn or modified its recommendation stated herein.

According to the information available to the Financial Advisor as at the date specified in the Letter from the Financial Advisor and subject to the assumptions, exceptions and qualifications set out in Letter from the Financial Advisor, the Specialized Committee has been advised by the Financial Advisor that the Significant Transaction is in the interests of Savola and all of its Shareholders for the following reasons:

- **Direct Ownership of Almarai Shares:** Savola shareholders currently hold a direct stake in Savola and an indirect stake in Almarai. The distribution is an opportunity for Savola's shareholders to hold a direct stake in both Savola and Almarai and benefit from the performance, potential growth trajectory and dividend potential of both Companies. On receipt of Almarai shares by Eligible Shareholders, eligible Shareholders of Savola will have flexibility of whether to hold onto Almarai shares or sell them in the market, empowering them to make investment decisions based on their financial goals and market conditions.
- **Focus on Savola's core investment portfolio:** By segregating Savola's core operations from the stake held in Almarai, the Company will continue to focus better on future growth prospects of its main businesses' activities, namely, Savola Foods, Panda Retail, Al Kabeer Group, and Herfy, which are leading food and retail businesses offering high-quality products and well-known brands generating accelerated growth opportunities which benefit from attractive market conditions. This will further enhance Savola's positioning in the market by virtue of Savola's majority stake in the aforementioned companies.

Such advice of the Financial Advisor shall be read in the context of the Letter from the Financial Advisor, a copy of which is attached as Annex B to this Circular. The original version of the Letter from the Financial Advisor will be available at Savola's offices during the period between the publication of this Circular until the EGM, as specified in Section 10 ("**Documents Available for Inspection**") of this Circular.

In giving its recommendation, the Board has not considered the specific investment objectives, financial situation, tax or Zakat position or individual circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and portfolios, the Board recommends that each individual Shareholder should consult his own independent financial advisor in relation to the Significant Transaction and should rely on his own examination of the Significant Transaction and the information herein with regard to such Shareholder's individual objectives, financial situation and needs.

The Shareholders should also note that the trading of Savola's Shares and Almarai's shares after the Significant Transaction are subject to, among other things, the performance and prospects of Savola and Almarai, and their subsidiaries and affiliates, prevailing market conditions, economic outlook and stock market conditions and sentiments (please refer to Section 2.2 ("**Risks Related to Fluctuations in the Market Price of the Shares of Almarai**") of this Circular).

Accordingly, the Board's recommendation related to the Significant Transaction does not and cannot take into account future trading activities, patterns or price levels that may be established for Savola's shares after the date of this Circular or Almarai's shares after the Significant Transaction.

6.

LEGAL INFORMATION



6. LEGAL INFORMATION

6.1 Legal Arrangements Related to the Significant Transaction

Savola's Board of Directors confirms that there will be no transfer of any assets, liabilities, employees, or intellectual property from Savola to Almarai as a result of the Significant Transaction. The Significant Transaction will consist of the proposed distribution of Savola's entire shareholding to its eligible Shareholders with book value of SAR eight billion, eight hundred and seven million, six hundred ninety five thousand (8,807,695,000) consisting of three hundred forty-five million, two hundred eighteen thousand and two hundred and thirty six (345,218,236) ordinary shares currently listed on the Main Market of the Saudi Exchange representing, at the latest practicable date prior to the date of this Circular, amounting to 34.52% of the share capital of Almarai, to the Shareholders as a distribution in-kind.

If the Significant Transaction is approved by the Extraordinary General Assembly, Savola's Board of Directors will take all the necessary decisions that fall within their competence under the applicable law and will take care of all of the required procedures to ensure effective completion of the Significant Transaction procedures.

6.2 Almarai Dividend Distribution Policy

Pursuant to Article 107 of the Companies' Law, shareholders shall have all rights associated with their shares, including, in particular, the right to receive a portion of the dividends declared. Accordingly, the declaration and distribution of any dividends will be recommended by Almarai's Board of Directors before being approved by Almarai's shareholders at a general assembly meeting.

Almarai's dividends distribution policy is stipulated in their bylaws as Article 39 as follow:

- The ordinary general assembly may – when determining the stake of shares in the net profits – decide to form reserves to the extent that achieves the interest of the company or guarantees the distribution of fixed profits – as much as possible – to the shareholders. The aforementioned assembly may also deduct amounts from the net profits to achieve social purposes for the Company's employees.
- The general assembly shall determine the percentage that must be distributed among the shareholders from the net profits after deducting the reserves, if any.

6.3 The Impact of the Significant Transaction on Savola's Listing Rating

The Significant Transaction will not affect the direction of Savola's business or the nature of its listing or the sector it operates in. Savola will remain listed on Saudi Exchange.

7.

TAXATION AND ZAKAT



7. TAXATION AND ZAKAT

This section provides a general overview of certain KSA tax and zakat considerations related to Savola's Significant Transaction as of the date of this Circular. All tax and zakat-related comments are based on the understanding of the relevant KSA Tax and Zakat Regulations, as interpreted and applied by ZATCA as of the date of this Circular. Any amendments to current tax laws, practices, or regulations may impact the tax and zakat considerations outlined in this section. The following overview should not be considered an exhaustive analysis of all tax and zakat implications for any specific party. Shareholders of Savola are advised to conduct their own analysis of the tax and zakat implications of the Significant Transaction and should not rely solely on this summary as tax advice.

7.1 Zakat and Income tax

7.1.1 Overview

Under the Zakat Regulations, companies that are resident in the Kingdom of Saudi Arabia (KSA) are subject to Zakat based on the proportion of shareholding by KSA or Gulf Cooperation Council (GCC) nationals, whether held directly or indirectly through GCC-incorporated entities. A Saudi resident company listed on the Exchange is subject to zakat on the shares owned by public (non-founding) shareholders, irrespective of whether such shareholders are non-GCC persons.

Zakat is a religious levy imposed on the KSA/GCC shareholders' share of the zakat payer's net assessable funds including their share of adjusted profit or loss for the year (hereafter, the "Zakat Base"). The Zakat base typically comprise capital employed, provisions, and long-term financing (subject to certain conditions), less of fixed assets, long-term deductible investments, and deferred costs, adjusted for profit or loss during the year.

The net assessable funds are subject to Zakat at a rate of 2.578% if the zakat payer follows the Gregorian calendar as its fiscal year, or 2.5% if it follows the Hijri calendar.

The latest Zakat implementing regulations, issued under Ministerial Resolution Number 1007 dated 19/08/1445H (corresponding to 29/02/2024G), applicable to zakat payers for financial years starting on or after 1 January 2024, sets out a new framework for calculating the Zakat Base. Key aspects of the framework in connection to the significant transaction include the following:

- The ending balance of Capital, equity and non-current liabilities would be added to the Zakat base irrespective of the movement of the balances during the year.
- The Minimum Zakat base can be lower than the amended income under certain conditions.
- Any indication for the intention of disposal of an investment would result in the disallowance of the deduction of the investment for Zakat purposes.

7.1.2 Zakat implications of the Significant Transaction

Gains resulting from the disposal of listed shares are subject to Zakat. Hence, the Company's Zakat for 2024 will primarily be influenced by capital gain arising from remeasurement gain associated with the derecognition of the Almarai investment. In connection, an increase in retained earnings resulting from the remeasurement gain would ordinarily elevate the zakat base in subsequent years. However, the distribution of Almarai shares is expected to reduce the retained earnings balance.

Historically, the tax and zakat authorities considered the amended income as the minimum balance subject to Zakat. However, as per the latest Zakat regulations, the Zakat base shall be the lower of:

- The adjusted net profit for the taxpayer; or
- The total non-deductible assets, added to the adjustments to the net income.

Furthermore, the zakat regulations specify circumstances where investments are considered as trading assets (and thus not deductible for Zakat purposes). This includes any declared, proven, or decided intention to dispose the investment, whether at a specific price or within a period of less than one year. Consequently, should the significant transaction procedures not be completed during 2024, then the investment in Almarai would likely not be deducted when determining the Zakat Base. In this case, the gains from the remeasurement associated with derecognition of Almarai investment would still be added to the Zakat Base for both 2024 and 2025; while disallowing deduction of the investment in Almarai resulting in a higher Zakat Base than profit and negating the benefits of applying the minimum Zakat Base.

7.1.3 Share of profit or loss from Almarai

As per the latest Zakat regulations, amended income is subject to zakat at the level of a holding or investment company and should include the share of income from subsidiaries and equity-accounted investees, which was not the case historically. Consequently, the disposal of investment in Almarai will reduce the share of income from equity-accounted investees in subsequent periods.

7.2 Value Added Tax (VAT)

7.2.1 Overview

The standard rate of Value Added Tax (VAT) in KSA is 15%. Certain financial services, residential real estate leases, and life insurance are exempt from VAT, resulting in a restriction on the recovery of VAT on related costs. Additionally, a zero VAT rate applies to specific supplies, such as the export of goods and the sale of qualifying medicines and medical equipment, in accordance with the KSA VAT Implementing Regulations.

7.2.2 VAT implications of the Significant Transaction

The standard rate of value added tax ("**VAT**") in KSA is 15%. This rate is effective from 1 July 2020G. The standard rate of VAT increased from 5% to 15%. Transitional provisions to apply 5% VAT on qualifying contracts and invoices were available until 30 June 2021G.

The supplies of certain financial services, lease of residential real estate and life insurance are treated as exempt for VAT resulting in restriction on recovery of VAT on costs. A zero rate of VAT can be applied to certain supplies (e.g., export of goods, sale of qualifying medicines and medical equipment) as per the KSA VAT Implementing Regulations.

VAT registered persons are required to file monthly or quarterly VAT returns. The filing of VAT return and payment of VAT due needs to be completed before the last day of the month following the VAT return period. Businesses are required to comply with the record keeping and invoicing requirements under the KSA VAT Law and Implementing Regulations.

7.2.3 Write off / Disposal of KSA entities

KSA VAT Implementing Regulations, the issue, transfer and supply of equity security (i.e., shares), a debt security, or any other transferable document recognizing an obligation to pay a monetary amount to the bearer is considered as an exempt supply of financial services.

Accordingly, the dispose of the KSA investment (i.e., Almarai) by Savola under this sub-step it would be considered as an exempt supply of financial services and no VAT would become payable as a result of such supply. Hence, Savola would be required to disclose the sale of such investment as an exempt supply in its periodic VAT return at the date of the transaction occurred for the sale.

7.2.4 Input VAT recoverability

Generally, a VAT registered person may deduct input VAT incurred on purchases and expenses related to its taxable supplies, internal supplies or supplies that would have been taxable supplies had they been made in KSA. As Savola would be engaged in making exempt supply of financial services (i.e., disposals of shares), any input VAT incurred (directly) in this respect should be blocked (irrecoverable).

7.3 Real Estate Transaction Tax implications of the Significant Transaction

Real Estate Transaction Tax (RETT) of 5% is applicable on the total disposal value of real estate, irrespective of its condition, form, or use at the time of disposal. The RETT Regulations define the disposal of real estate as any legal action that transfers ownership or possession of real estate for the purpose of owning it or its use. As per its respective conditions, it is anticipated that RETT regulations will not have an impact on the significant transaction.

7.4 Withholding tax

7.4.1 Overview

Under the KSA Income Tax Law, payments made to non-residents from any in-Kingdom source are subject to withholding tax (WHT). The WHT rate ranges from 5% to 20%, depending on the nature of the payments. WHT is imposed on the entire amount paid to a non-resident, regardless of any costs incurred in generating the income or the validity of its acceptance as a deductible expense. This applies even if the payment relates to contracts concluded before the effective date of the law. WHT must be settled within the first 10 days of the month following the month in which the taxable payment was made. The WHT is required to be deducted from the gross amount payable to the non-resident at the time of payment, not at the time the expense is recorded in the company's books of account. Additionally, any WHT cost borne by a KSA company is not allowed as a deduction from taxable income.

7.4.2 Withholding tax on dividends

The distribution of Almarai shares to shareholders will be through dividends in-kind and return of capital. Accordingly, for non-resident shareholders, shares distributed through dividends in-kind will attract 5% withholding tax, whereas shares distributed through return of capital upon executing the Capital Reduction will not be subject to withholding tax.

7.5 Pillar Two GloBE rules

Since Savola's consolidated group revenue exceeds EUR 750m, and the group has subsidiaries in 14 jurisdictions, Savola Group should be subject to the Global Anti-base erosion model rules (GloBE Rules), which seek to impose a minimum level of taxation of 15% in each country.

No Pillar Two implications should arise in respect of the capital gains from the disposal of Almarai shares where the gains are recognized in FY24, as there is no collection mechanism to impose tax on KSA profits yet. Even where there is a collection mechanism in 2025 (e.g. if KSA introduces Pillar Two legislation, or Luxembourg has the right to collect top-up tax on KSA profits), capital gains from the disposal of Almarai shares are expected to qualify as Excluded Capital Gains under the OECD Model Rules and excluded from taxation under the Pillar Two GloBE rules (assuming KSA and Luxembourg implemented their local rules in line with the OECD Model Rules).

8.

REQUIRED PROCEDURES



8. REQUIRED PROCEDURES

8.1 Procedures Related to the EGM that shall be Followed for Approval of the Significant Transaction

- Providing the CMA with a copy of the invitation to the EGM and the agenda for the EGM.
- Shareholders' voting on the Significant Transaction at the EGM, based on the recommendation of the Board and the Specialized Committee. The quorum for a valid EGM will be the attendance, either in person or by proxy, at the Extraordinary General Assembly or via remote voting channels, of Shareholders representing at least half of the share capital (50%). The resolutions to be proposed at the EGM, including the resolution approving the Significant Transaction, will be passed by a vote in favor by the Shareholders who are entitled to attend and vote at the EGM, either in person or by proxy, or via remote voting channels who hold two-thirds (2/3) of voting rights represented at the EGM.

In the event that the quorum requirement for the EGM is not met, a second EGM (the "**Second EGM**") will be convened within one hour from the end of the first EGM, on the condition that the invitation to the first meeting includes the possibility of such meeting to take place. The quorum for the Second EGM will be the attendance, either in person or by proxy, or via remote voting channels, of Shareholders representing at least 25% of the share capital. The resolutions to be proposed at the Second EGM, including the resolution approving the Significant Transaction, will be passed by a vote in favor by the Shareholders who are entitled to attend and vote at the Second EGM, either in person or by proxy, or via remote voting channels who hold two-thirds (2/3) of voting rights represented at the Second EGM.

In the event that the quorum requirement for the Second EGM is not met, a third EGM (the "**Third EGM**") will be convened. The quorum for the Third EGM will be the attendance, either in person or by proxy, or via remote voting channels, of Shareholders representing any number of shares. The resolutions to be proposed at the Third EGM, including the resolution approving the Significant Transaction, will be passed by a vote in favor by the Shareholders who are entitled to attend and vote at the Third EGM, either in person or by proxy, or via remote voting channels who hold two-thirds (2/3) of voting rights represented at the Third EGM.

Shareholders who are unable to attend the EGM, the Second EGM, or the Third EGM in person will be able to nominate a person and instruct the person to vote in favor (or against) the resolutions to be proposed at the EGM, Second EGM, or Third EGM, or to vote by remote voting channels in accordance with the instructions contained in Annex D ("**Notice of the EGM**").

8.2 Procedures to be Followed to Execute the Significant Transaction Following the Approval of the EGM

- Provision of the CMA with a copy of the minutes of the EGM meeting.
- Other statutory requirements, if any.

9.

RESPONSIBILITY FOR THE CIRCULAR



9. RESPONSIBILITY FOR THE CIRCULAR

The Board of directors are responsible jointly and severally for the accuracy of all of the information contained in this Circular, including the Annexes attached thereto, excluding however the Financial Advisor's letter contained in Annex B ("**Letter from the Financial Advisor**"), in connection with which the Board is only responsible for the correctly reproducing it. Subject to such qualifications and to the knowledge of the Board, as of the date hereof, all of the information contained in this Circular is correct, and the Board is not aware of any facts or circumstances that affect the validity of the contents of this Circular.

Statement of the Board:

This Circular has been prepared in accordance with Article 123 of the OSCOs in relation to the Significant Transaction.

Members of the Board whose names are listed below declare that they have complied with their statutory duty of due diligence while ensuring that the information contained herein is, to the best of their knowledge, accurate:

Table (9.1): Savola Board Members

Name	Position	Nationality	Membership/ Independence Status	Appointment Date*
Sulaiman Abdulkadir Al Muhaidib	Chairman of the Board	Saudi	Non-Executive	01/07/2022G
Bader Abdullah Mohammed Alissa	Vice Chairman of the Board	Saudi	Non-Executive	01/07/2022G
Mutaz Kusai Hassan AlAzzawi	Board Member	Saudi	Non-Executive	01/07/2022G
Ahmed Waza Mohammed Al Qahtani	Board Member	Saudi	Non-Executive	01/07/2022G
Fahad Abdullah Abdulaziz Al Kassim	Board Member	Saudi	Non-Executive	01/07/2022G
Ahmad Abdulrhman Saleh Al Humaidan	Board Member	Saudi	Non-Executive	01/07/2022G
Issam Majid Abdullatif Al Muhaidib	Board Member	Emirati	Non-Executive	01/07/2022G
Mohammed Ibrahim Mohammed Alissa	Board Member	Saudi	Independent	01/07/2022G
Rakan Abdulaziz Mohammed Al Fadl	Board Member	Saudi	Independent	01/07/2022G
Bader Hamad Abdullah Al Rabiah	Board Member	Kuwaiti	Independent	01/07/2022G
Waled Abdullah Saad Al Ghreri	Board Member	Saudi	Independent	01/07/2022G

Source: Savola

* The Board of Directors were elected at the General Assembly held on 15/10/1443H (corresponding to 16/05/2022G) for a term of three years.

10.
DOCUMENTS AVAILABLE
FOR INSPECTION



10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at Savola's Headquarters, Jeddah City, Taha Kusaifan Street, Building no. 2444, Ash Shati District 7333-23511 Jeddah, Kingdom of Saudi Arabia, during official working hours, from 9:00 am until 5:00 pm, fourteen (14) working days before the date of the EGM held to vote on the Significant Transaction:

- The audited financial statements of Savola for the year ended 31 December 2023G and the unaudited condensed interim consolidated financial statements for the six-month period ended 30 June 2024G;
- The audited financial statements of Almarai for the year ended 31 December 2023G and the unaudited condensed interim consolidated financial statements for the six-month period ended 30 June 2024G;
- Savola's bylaws;
- Almarai's bylaws;
- Letter from the Financial Advisor; and
- Letter from the Specialized Committee.

Annex A: Glossary and Definitions

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Annex A: Glossary and Definitions

Board of Directors or Board	Savola's Board of Directors.
Capital Reduction	Reduction of the Company's Capital from SAR 11,339,806,840 to SAR 3,000,000,000, and consequently, reducing the number of the Company's shares from 1,133,980,684 ordinary shares to 300,000,000 ordinary shares by canceling 833,980,684 ordinary shares, representing a reduction rate of approximately 73.54% and a reduction ratio of 0.7354 shares for each 1 share.
Capital Market Authority or the CMA	The Capital Market Authority of the Kingdom.
Companies Law	Saudi Companies' Law promulgated by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G).
Director(s)	The directors of Savola, who were appointed by the General Assembly
Eligibility Date	The date of the EGM on the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction.
Eligible Shareholders	Shareholders holding shares by the end of trading on the day of the EGM on the Capital Reduction, the full distribution of Almarai Stake to the Eligible Shareholders as in-kind dividends and the Significant Transaction, and those who are registered in the Company's shareholders register at Edaa at the end of the second trading day following the EGM, which will be held on [•]H (corresponding to [•]G).
Exchange or Saudi Exchange	The Saudi Stock Exchange (Saudi Exchange) or the main market of the Saudi Stock Exchange.
Extraordinary General Assembly or EGM	An Extraordinary General Assembly Meeting of Savola's Shareholders, convened in accordance with its Bylaws.
Financial Advisor	Riyad Capital.
Financial Year (FY)	The financial year of Savola, which begins on 1 January and ends on 31 December of each Gregorian year.
G	Gregorian calendar.
GCC	The Gulf Cooperation Council, which consists of the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.
H	Hijri calendar.
International Financial Reporting Standards (IFRS)	A set of accounting standards and interpretations thereof issued by the International Accounting Standards Board (IASB).
Kingdom or KSA	Kingdom of Saudi Arabia.
Market Price	The last price that a share is traded for on the trading day, in accordance with the mechanism detailed in the Trading and Membership Procedures.
Ministry of Commerce	Ministry of Commerce in the Kingdom of Saudi Arabia.
OSCOs	Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law passed by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 01/08/2003G), as amended by the board of the Capital Market Authority pursuant to Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G).
Saudi riyals or SAR	The Saudi riyal is the official currency of the Kingdom.

Shareholder	Any Shareholder of Savola as of the date of the EGM.
SOCPA	The Saudi Organization for Chartered and Professional Accountants.
Specialized Committee	The Specialized Committee was formed by the Board of Directors on 22/02/1446H (corresponding to 26/08/2024G) in accordance with Article 122 of the OSCOs. The Specialized Committee is made up of independent Directors only, or other independent persons, or both, all of whom have no material interest in the Significant Transaction. The purpose of the Specialized Committee is to provide advice to the Shareholders on whether the conditions of the Significant Transaction are fair and reasonable and whether the Significant Transaction serves the interests of Savola and all its Shareholders.
Substantial Shareholder	Persons owning 5% or more of Savola's share capital.
Trading and Membership Procedures	The Trading and Membership Procedures approved by the board of directors of the Exchange emerging from the Trading and Membership Rules.
Trading and Membership Rules	Trading and Membership Rules approved by the board of the CMA pursuant to its resolution number 1-82-2018 dated 17/11/1439H (corresponding to 30/07/2018G), as amended pursuant to resolution number 1-50-2019 dated 01/09/1440H (corresponding to 06/05/2019G), as amended pursuant to resolution number 1-2-2022 dated 30/05/1443H (corresponding to 03/01/2022G), and as amended pursuant to resolution number 1-41-2023 dated 25/10/1444H (corresponding to 15/05/2023G).
Value Added Tax (VAT)	On 02/05/1438H (corresponding to 30/01/2017G), the Cabinet decided to approve the unified VAT agreement for Gulf Cooperation Council (GCC) countries, which came into force on 01 January 2018G, as a new tax added to the system of taxes and other fees to be implemented by Specific industries in the Kingdom, and in the GCC countries. The amount of this tax is 5%, where a number of products have been excluded from it (such as basic foods, services related to health care and education). The Kingdom's government decided to increase the value-added tax rate from 5% to 15% starting from 01 July 2020G.
Working Day	Any business day except for Friday and Saturday, official holidays in the Kingdom of Saudi Arabia, or days on which banking institutions are not open for business in accordance with applicable regulations and other government procedures.
Zakat Regulations	The Implementing Regulations for Zakat Collection issued pursuant to Ministerial Resolution No. 2216, dated 07/07/1440H (corresponding to 14/03/2019G).
ZATCA	The Zakat, Tax and Customs Authority (formerly the General Authority of Zakat and Tax), a government agency affiliated regulatorily with the Minister of Finance, which is the body entrusted with the work of levying zakat and tax collection.

Annex B: Letter from the Financial Advisor



Annex B: Letter from the Financial Advisor



Annex B: Letter from the Financial Advisor

On 12/04/1446H (Corresponding to 15/10/2024G)

Dear Shareholders and Specialised Committee of the Board of Directors

Savola Group Company

PO Box 2444

Jeddah 23511

Savola Group Company ("**Savola**" or the "**Company**") have announced that it is proposing to distribute its entire shareholding with book value as at 30 June 2024G of SAR eight billion, eight hundred and seven million, six hundred and ninety-five thousand (8,807,695,000) consisting of three hundred forty-five million, two hundred eighteen thousand and two hundred and thirty six (345,218,236) ordinary shares representing thirty-four point five two percent (34.52%) of the share capital of Almarai Company ("**Almarai**") to its eligible shareholders (the "**Significant Transaction**").

The Significant Transaction would be executed by distributing SAR eight billion, three hundred thirty-nine million eight hundred six thousand eight hundred forty (8,339,806,840) worth of Almarai shares (number of shares would be determined on the **Entitlement Date**) as return of excess capital of Savola through its capital reduction and distributing remaining Almarai shares held by Savola as dividend in-kind. The distribution in-kind of the Almarai Stake contemplated under the Significant Transaction will be conducted on a pro-rata basis, by reference to the percentage of shareholding in Savola held by each Shareholder. The eligibility to the distribution in-kind is for Shareholders holding shares in Savola by the end of the trading day of the Extraordinary General Assembly Meeting referred to as the entitlement date (the "**Entitlement Date**"), and who are registered in Savola's shareholders register held with the Securities Depository Center Company ("**Edaa**") at the end of the second trading day following the date of the Extraordinary General Assembly Meeting approving the Significant Transaction.

Pursuant to Article 122(b) of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority ("**CMA**") Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/07/2003G), and amended by CMA Board Resolution No. 3-6-2024 dated 5/7/1445H (corresponding to 17/1/2024G) ("**OSCOs**"), on 21/03/1446H (corresponding to 24/09/2024G), the Board of Directors (the "**Board**") of Savola has appointed Riyad Capital ("**Riyad Capital**" or "**We**") as financial advisor (the "**Financial Advisor**") to provide this letter to the specialised committee of Savola (the "**Specialised Committee**") and the shareholders of Savola (the "**Shareholders**") to advise, in Riyad Capital's opinion, whether the terms of the Transaction are fair and reasonable and whether the Transaction is in the interest of Savola and its Shareholders taken as a whole (the "**Opinion**").

The Transaction will become effective if the general assembly of Savola approve the Transaction in accordance with Article 121 of the OSCOs and Article 75 of the Companies Law promulgated by Royal Decree No. M/132 dated 01/12/1443H (the "**Companies Law**"), if Savola obtains all of the requisite regulatory approvals in connection with the Significant Transaction.

1
General Business

The Opinion is provided to the Specialised Committee appointed by the Board of Savola on 22/02/1446H (corresponding to 26/08/2024G) and the Shareholders pursuant to Article 122(b) and Article 123(a)(3) of the OSCOs.

In arriving at the Opinion, Riyadh Capital has undertaken such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. For the purposes of giving the Opinion, Riyadh Capital has:

- a) Met with certain members of the management of Savola to discuss the operations and financial condition of Savola, as well as the rationale and certain terms for the Transaction, including information related to certain strategic, financial and operational outcomes anticipated from the completion of the Transaction and certain risks associated with the Transaction;
- b) Reviewed the details of the Significant transaction, as it is the last of the four interconnected transactions announced by Savola, upon completion of which Savola's entire stake in Almarai Company will be distributed to the eligible Savola shareholders;
- c) Reviewed the draft Shareholders' Circular prepared by Savola pursuant to Article 123 of the OSCOs (the "Shareholders' Circular");
- d) Reviewed Savola's audited consolidated financial statements for the fiscal years ended 31 December 2021G, 31 December 2022G, 31 December 2023G and unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024G;
- e) Reviewed contribution of the stake held in Almarai as shown in the **audited consolidated financial statements** of Savola for the fiscal years ended 31 December 2021G, 31 December 2022G, 31 December 2023G and unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024G;
- f) Reviewed publicly available research reports prepared by third parties related to Savola and Almarai;
- g) Reviewed certain publicly available information relating to Savola and Almarai that we deemed to be relevant;
- h) Reviewed historical market prices and trading volumes of Savola and Almarai;
- i) Conducted such other inquiries, reviewed such other information and considered such other factors as we have deemed appropriate.

In particular, Riyadh Capital has discussed with the management of Savola the following potential outcomes for Savola and the Shareholders:



1) **Direct Exposure to Almarai Shares:** Savola shareholders currently hold a direct stake in Savola and an indirect stake in Almarai. The distribution is an opportunity for Savola's shareholders to hold a direct stake in both Savola and Almarai and benefit from the performance, potential growth trajectory and dividend potential of both Companies. On receipt of Almarai shares, Savola Shareholders will have flexibility of whether or not to hold onto Almarai shares or sell them in the market, empowering them to make investment decisions based on their individual financial goals and market conditions.

2) **Segregation of Savola's core portfolio:** By segregating Savola's core operations from the stake held in Almarai, the Company will be able to focus better on future growth prospects of remaining businesses, namely, Savola Foods, Panda Retail, Al Kabeer, and Herfy. These are sizeable businesses set to benefit from attractive market conditions. This will further enhance Savola's positioning as a leading food and retail player in the Kingdom with majority stake in growing consumer businesses with solid brands.

In giving the Opinion, we have relied on the following assumptions and been subject to the following limitations:

- (i) We have assumed the accuracy and completeness of all data and information and all other material provided to or discussed with us or publicly available and have not assumed any responsibility with respect to such data, information and other material nor for verification of the same;
- (ii) We have assumed that there has been no material change in the assets, liabilities, financial condition, results of operations, business or prospects of Savola or Almarai since the date of most recently published available audited financial statements, and that there is no information or any facts that would make any of the information reviewed by us incomplete or misleading;
- (iii) We have assumed that the Transaction will be consummated as described in the Shareholders' Circular without waiver or modification thereto. We have further assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on Savola or Almarai or on the contemplated outcomes of the Transaction; and
- (iv) We have relied upon the assessment by the management of Savola of the rationale for the Transaction and information related to certain strategic, financial and operational outcomes anticipated from completion of the Transaction and of the validity of, and risks associated with Savola's existing and future operations, infrastructure, services or business model.

We have not prepared or been furnished with any independent valuation or appraisal of the assets or of the liabilities of Savola or Almarai. Furthermore, in connection with this Opinion, we have not been requested to make, and have not made, nor have we commissioned any physical inspection or independent appraisal of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of Savola, Almarai or any other party. We express no opinion regarding the value of any entity.



We have not been asked to, nor do we, express any opinion as to the commercial assessments of the Board to affect the Transaction.

The Opinion is necessarily based on financial, economic, market and other conditions as in effect on, and publicly available information as it exists and as disclosed to us as at the date hereof. We shall not and are under no obligation, to update, revise, reaffirm or withdraw this Opinion, or otherwise comment on or consider events occurring after the date hereof.

In relation Riyadh Capital acting as financial advisor to Savola in this transaction, we expect to receive a fee for our services, which is contingent upon completion of the Transaction. In addition, Savola has agreed to indemnify us in relation to certain liabilities incurred within the scope of our engagement on this Transaction.

The Opinion is furnished solely for the use and benefit of the Specialised Committee and the Shareholders in connection with the Transaction and is not intended to, and does not, confer any rights or remedies upon any other person, and is not intended to be used, and may not be used, for any other purpose or relied upon or used by any other person, without our prior written consent. Without prejudice to the generality of the foregoing, as this Opinion is required to be published in the Shareholders' Circular in accordance with Article 123(a)(3) of the OSCOs, we consent to its inclusion therein.

The Opinion should not be construed as creating any fiduciary duty on the part of the Financial Advisor to any party. This Opinion is not intended to be, and does not constitute, a recommendation to any security holder or any other person as to how such person should act or vote with respect to the Transaction. The decision to approve the Transaction in accordance with Article 121 of the OSCOs and Article 75 of the Companies Law rests with the Shareholders in general assembly.

The Opinion is issued in the Arabic language and reliance may only be placed on this Opinion as issued in the Arabic language. If any translations of this Opinion are delivered, they are provided only for ease of reference, have no legal effect and the Financial Advisor makes no representation as to (and accepts no liability in respect of) the accuracy nor completeness of any such translations.

On the basis of the work set out above and subject to the various assumptions and limitations set forth herein, and reliance thereon, it is our opinion that, as at the date hereof, the terms of the Transaction are fair and reasonable and the Transaction is in the interest of Savola and its Shareholders taken as a whole.

Yours faithfully,

On behalf of Riyadh Capital

Name: Dr. Abdullah Abdulrahman Al-Shwer

Title: Chief Executive Officer

4
Confidential



Annex C:
Letter from the
Specialized Committee



Annex C: Letter from the Specialized Committee

2024

Shareholders of Savola Group Company

PO Box 14455

Jeddah 21424

Kingdom of Saudi Arabia

Dear Madams and Sirs,

This letter was prepared for the purpose of being provided to the shareholders (the "**Shareholders**") of Savola Group Company ("**Savola**") in connection with the proposed distribution of Savola's entire shareholding in Almarai Company ("**Almarai**") – a joint-stock company listed on the Main Market of the Saudi Exchange (the "**Exchange**") to the eligible Shareholders of Savola as in-kind distribution consisting of three hundred forty-five million, two hundred eighteen thousand and two hundred and thirty six (345,218,236) ordinary shares (the "**Almarai Stake**"), representing, at the latest practicable date prior to the date of this letter, thirty-four point five two percent (34.52%) of the share capital of Almarai Company and with a book value of eight billion, eight hundred and seven million, six hundred and ninety-five thousand (8,807,695,000) Saudi Riyals as at 30 June 2024G (the "**Significant Transaction**").

The Significant Transaction will be implemented through the distribution of eight billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (8,339,806,840) Saudi Riyals worth of Almarai shares (number of shares would be determined on the Eligibility Date) as compensation resulting from the process of Savola's capital reduction, in addition to the distribution of the remaining Almarai shares held by Savola from the retained earnings as dividends in-kind. The distribution in-kind of the Almarai Stake contemplated under the Significant Transaction will be conducted on a pro-rata basis, by reference to the percentage of shareholding in Savola held by each Shareholder. The eligibility to the distribution in-kind is for Shareholders holding shares in Savola by the end of the trading day of the Extraordinary General Assembly Meeting and who are registered in Savola's shareholders register held with the Securities Depository Center Company ("**Edaa**") at the end of the second trading day following the date of the Extraordinary General Assembly Meeting approving the Significant Transaction in accordance with the regulatory requirements (the "**Eligibility Date**").

The Significant Transaction will become effective if the extraordinary general assembly of Savola approves the Significant Transaction in accordance with Article 121 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority (the "**CMA**") pursuant to its Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) and amended by CMA Board Resolution No. 3-6-24 dated 05/07/1445H (corresponding to 17/01/2024G) (the "**OSCOs**") and Article 75 of the Companies Law promulgated by Royal Decree No. M/132 dated 01/12/1443H (the "**Companies Law**").

This letter was prepared by, we, the Specialized Committee for the Significant Transaction, which we based on the opinion of the financial advisor (Riyadh Capital) along with the requirements set out in the OSCOs. Savola's Board of Directors has requested that the Specialized Committee composed of the members listed below (the "**Specialized Committee**") provide this letter to the Shareholders (the "**Specialized Committee Letter**") in light of the provisions of Article 122 of the OSCOs.

In this regard, we, as members of the Specialized Committee, have undertaken such reviews, analysis, and raised inquiries we deemed necessary and appropriate under the circumstances. For the purposes of providing the Specialized Committee Letter, each member of the Specialized Committee:

- met with certain members of the management of Savola to discuss the operations, and the financial condition of Savola, as well as, the Company's rationale for undertaking the Significant Transaction and some of its conditions, including information related to the financial results anticipated from the completion of the Significant Transaction and certain risks associated with the Significant Transaction;
- reviewed a draft shareholders' circular in relation to the Significant Transaction dated [11/05/1446H] (corresponding to 21/11/2024G) prepared by Savola pursuant to Article 123 of the OSCOs (the "Shareholders' Circular");
- reviewed and took into account the recommendations to the Specialized Committee and the Shareholders dated [●]H (corresponding to [●]G) prepared by the financial advisor appointed by Savola pursuant to Article (122)(b) of the OSCOs in connection with the Significant Transaction as contained in the Letter from the Financial Advisor attached as Annex B to the Shareholders' Circular;
- reviewed the audited consolidated financial statements of Almarai for the years ended 31 December 2021G, 31 December 2022G, 31 December 2023G and the unaudited interim condensed consolidated financial statements for the six-month ended 30 June 2024G;
- reviewed the audited consolidated financial statements of Savola for the year ended 31 December 2021G, 31 December 2022G, 31 December 2023G and the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2024G;
- reviewed historical market prices and trading volume for the shares of each of Almarai and Savola;
- reviewed certain publicly available information relating to Savola and Almarai that we deemed to be relevant to the Significant Transaction; and
- conduct inquiries, necessary reviews of other information, and consider other factors we deemed relevant to the Significant Transaction;
- review the board's recommendation to the extraordinary general assembly pertaining to the capital reduction and understand the relationship between the reduction and the distribution in-kind of Almarai shares to the eligible Shareholders (i.e. Significant Transaction), and consider that as part of the four interlinked transactions of the announced process.

We have relied upon and assumed, without independent verification, the accuracy and completeness of all data and information and all other material which was provided to or discussed with us whether from the Company's management, the financial advisor or which was publicly available and have not assumed any responsibility with respect to such data, information and other material or for verification of the same.

We have relied upon and assumed, without independent verification, that there has been no material change in the assets, liabilities, financial condition, results of operations, business or prospects of Savola since the date of the most recently published publicly available interim financial statements, and that there is no information or any facts that would make any of the information reviewed by us incomplete or misleading.

We have also assumed that the Significant Transaction will be consummated as described in the Shareholders' Circular without waiver or modification thereto and that the completion of the Significant Transaction is targeted to occur on or around [●/12/2024]G. We have further assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Significant Transaction and the associated capital reduction will be obtained in accordance with in the provisions of the Shareholders' Circular (if any), without any adverse effect on Savola or on the contemplated benefits of the Significant Transaction.

In this context, we have not been furnished with any independent valuation or appraisal of the assets or liabilities of either Savola or Almarai. Furthermore, in connection with this Specialized Committee Letter, we have not been requested to make, and have not made, nor have we commissioned any physical inspection or independent appraisal of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of Savola, Almarai or any other party. In addition, we have not reviewed any of the books and records of Savola, Almarai or any other party. We express no views regarding the value of the Almarai Stake, the shares of Savola or any other party.

This Specialized Committee Letter is necessarily based on financial, economic, market and other conditions in effect on, and publicly available information as they exist and as disclosed to us as of the date hereof and on the opinion provided by the financial advisor regarding the Significant Transaction. We have not undertaken, and are under no obligation, to update, revise, reaffirm or withdraw this Specialized Committee Letter, or otherwise comment on or consider events occurring after the date hereof.

This Specialized Committee Letter is furnished solely for the use of the Shareholders in connection with their consideration of the Significant Transaction and is not intended to, and does not, confer any rights or remedies upon any other person, and is not intended to be used, and may not be used, for any other purpose or relied upon or used by any other person, without our prior written consent. Without prejudice to the generality of the foregoing, we consent to the inclusion of this Specialized Committee Letter in the Shareholders' Circular. This Specialized Committee Letter does not constitute, a recommendation to any security holder or any other person as to how such person should act or vote with respect to the Significant Transaction.

The Specialized Committee Letter is issued in the Arabic and English language. In the event of any conflict between the Arabic text and the English text, the Arabic text shall prevail. If any translations of this Specialized Committee Letter are delivered, they are provided only for ease of reference, have no legal effect and the Specialized Committee members make no representation as to (and accept no liability in respect of) the accuracy nor completeness of any such translations.

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, and in light of the opinion provided by the financial advisor on the Significant Transaction and in reliance thereon, it is our view that, as of the date hereof, the terms of the Significant Transaction are fair and reasonable and the Significant Transaction is in the interests of Savola and all of its Shareholders.

Yours faithfully,

Specialized Committee

Name	Signature
Rakan Abdulaziz Mohammed Al Fadl	
Abdulrahman Mohammed Ramzi Addas	
Mutaz Qusai Hassan AlAzzawi	
Waled Abdullah Saad Ghreri	

Savola Group Company

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