Rights Issue Prospectus

Savola Group Company

Trading Period: Starts from [•]H (corresponding to [•]G) until [•]H (corresponding to [•]G)

Offering Period: starts from [•]H (corresponding to [•]G) until [•]H (corresponding to [•]G)

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).

Offering six hundred million (600,000,000) ordinary shares at an Offering Price of ten (10) Saudi Riyals per share ("**Offering Price**") by way of a Rights Issue valued at six billion (6,000,000,000) Saudi Riyals, representing an increase in the Company's capital from five billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (5,339,806,840) Saudi Riyals divided into five hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (533,980,684) ordinary shares to eleven billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (11,339,806,840) Saudi Riyals, divided into one billion one hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (1,133,980,684) ordinary shares, representing an increase of (112.36%) in the current capital (the "**Offering**").

Savola Group Company (hereinafter referred to as the "**Company**" or "**Savola**" or "**Issuer**") was established as a Saudi joint stock company, 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. The Company's head office is located in Savola Tower, the city of Jeddah, Prince Faisal Ibn Fahd Road, Ashati District, 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333, Kingdom of Saudi Arabia.

The Company's current share capital is five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with nominal value of ten (10) Saudi Riyals per share (each individually referred to as "**Current Share**" and jointly as "**Current Shares**"). As of the date of this Prospectus, the Company has a number of Substantial Shareholders holding 5% or more of the Company's shares, namely Abdullah Mohammed Abdullah AlRabiah, holding 8.22% of the Company's capital; Abdulkader AlMuhaidib and Sons Company, holding 8.234% of the Company's capital; Assila Investments Company, holding 11.236% of the Company's capital; and AlMuhaidib Holding Company, holding 6.364% of the Company's Pre-Offering capital.

The Company's Board of Directors recommended in its decision dated 25/07/1445H (corresponding to 06/02/2024G) to increase the Company's capital by a total amount of six billion (6,000,000,000) Saudi Riyals through a Rights Issue; accordingly, the Company's capital will be increased from five billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (5,339,806,840) Saudi Riyals to eleven billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (11,339,806,840) Saudi Riyals through the issuance of Rights Shares for a total amount of six billion (6,000,000,000) Saudi Riyals after obtaining the necessary regulatory approvals and the approval of the Extraordinary General Assembly ("**EGM**").

On [•]H (corresponding to [•]G), the EGM approved the increase of the Company's share capital from five billion, three hundred and thirty-nine million, eight hundred and six thousand, eight hundred and forty (5,339,806,840) Saudi Riyals divided into five hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (533,980,684) ordinary shares to eleven billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (11,339,806,840) Saudi Riyals, divided into one billion, one hundred and thirty-three million, nine hundred and eighty thousand, six hundred and eighty-four (1,133,980,684) ordinary shares, representing an increase of 112.36% in the current through a Rights Issue. The Offering consists of the issue of six hundred million (600,000,000) new ordinary shares ("**New Shares**" or "**Rights Shares**") at an offering price of ten (10) Saudi Riyals per share (the "**Offering Price**") with a par value of ten (10) Saudi Riyals per share.

The Rights Shares will be issued in the form of tradable securities (collectively the "**Rights**" and individually "**Right**") to the Company's shareholders, who are registered in the Company's shareholders register as at the close of trading on the date of the EGM to increase the capital and those who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the date of the EGM approving the capital increase on [•]H (corresponding to [•]G) ("**Eligibility Date**")(each Shareholder is referred to as "**Registered Shareholder**" and collectively as "**Registered Shareholders**"). Such Rights will be deposited into the Registered Shareholders' portfolios within two working days from the Eligibility Date in the amount of approximately [•]Rights for each (1) Company share held as at the Eligibility date. Each Right grants its holder the right to subscribe to one New Share at the Offering Price.

Registered Shareholders and other investors ("**New Investors**"), who may trade the Rights and subscribe to the New Shares, will be able to trade and subscribe to the Rights on the Saudi Stock Exchange ("**Tadawul**" or the "**Exchange**"). The trading period and subscription period will commence three (3) working days from the approval of the capital increase by the Extraordinary General Assembly on Capital Increase, from [•]H (corresponding to [•]G), provided that the trading period ends on [•]H (corresponding to [•]G) ("**Trading Period**"), while the subscription period will continue until the end of [•]H (corresponding to [•]G) ("**Subscription Period**"). It is important to note that the Trading Period and the Subscription Period will start on the same day, while the Trading Period continues until the end of the sixth day of the period, and the Subscription Period continues until the end of the ninth day of the same period.

During the Trading Period, Registered Shareholders will be able to trade the Rights by selling the acquired Rights or part thereof, buying additional Rights through the Market or refraining from taking any action in that regard. In addition, New Investors will be able to buy and sell the Rights during trading period through Tadawul.

Subscription to New Shares during the Subscription Period will take place in one phase as follows:

- During this Period, all Registered Shareholders and New Investors will be allowed to subscribe for the New Shares.
- The Registered Shareholder will be entitled to subscribe directly to the number or less than the number of shares held thereby during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe thereto by the end of the settlement period (two working days).
- New Investors will be allowed to subscribe to the New Shares after the settlement of the Rights purchase process (two working days).
- Subscription will be available electronically through investment portfolios in trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker.

If any shares remain unsubscribed after the end of the Subscription Period ("**Rump Shares**"), they will be offered at no less than the Offering Price to a number of institutional investors ("**Institutional Investors**") (referred to as "**Rump Offering**"). Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on [•]H (corresponding to [•]G) and continue until 5:00 PM on [•]H (corresponding to [•]G) ("**Rump Offering Period**"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer until all of the Rump Shares have been allocated (provided that the price shall not be less than the Offering Price). The Rump Shares shall be allocated on a pro rata basis among Institutional Investors that provided offers at the same price. The Fractional Shares shall be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offering Price) for the eligible persons, as per their entitlement on a pro rata basis no later than [•]H (corresponding to [•]G); noting that investor who did not subscribe or sell their Rights, and the owners of Fractional Shares, may not receive any consideration if the sale is made during the Rump Offering Period.

In the event that Institutional Investors did not subscribe to all of the Rump Shares and factional shares, then these shares shall be allocated to the Underwriter, who shall subscribe for such shares at the Offering Price (please refer to Section 12 ("**Details on Shares and Subscription Terms and Conditions**") of this Prospectus). Final allocation will be announced no later than [•]H (corresponding to [•]G) (the "**Allocation Date**") (please refer to Section 12 ("**Details on Shares and Subscription Terms and Conditions**") of this Prospectus).

Upon completion of the offering, the Company's capital will be eleven billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (11,339,806,840) Saudi Riyals, divided into one billion one hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (1,133,980,684) ordinary shares. The Net Proceed Offering shall be mainly used to strengthen the Company's financial position and support its future investment portfolio by paying off its debts and enabling it to distribute its shares in Almarai to its shareholders through a capital reduction following the Rights Issue (please refer to Section 8 ("**Use of Proceeds**") of this Prospectus).

All Company shares are of one class, and no share gives its holder preferential rights. The New Shares will be fully paid in value and exactly equal to outstanding shares. Each share entitles its holder to one vote, and each Shareholder in the Company (the "**Shareholder**") has the right to attend and vote at the ordinary and extraordinary general assembly of Shareholders (the "**General Assembly**"). Owners of New Shares are entitled to any dividends declared by the Company for distribution from the date of their issue (please refer to Section 2 ("**Risk Factors**") of this Prospectus).

On 25/05/1412H (corresponding to 01/12/1991G), the Company listed and registered one million eight hundred thousand (1,800,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share on the Saudi Stock Exchange ("**Tadawul**"), of which one million two hundred thousand (1,200,000) ordinary shares were offered for public subscription for a nominal value of one hundred (100) Saudi Riyals per share, representing (66.66%) of the Company's share capital. Upon the listing of the Company on Tadawul, its share capital amounted to three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share. On 29/11/1416H (corresponding to 17/04/1996G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares to three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each six (6) shares owned by the shareholders registered on the Company's shareholder register. On 27/11/1418H (corresponding to 25/03/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares to four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register. On 11/09/1419G (corresponding to 25/12/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares to five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the issuance of three million (3,000,000) New Shares, for the purpose of acquiring the shares of shareholders of Alazizia Panda United Company by allocating one

(1) share for each six (6) shares in Alazizia Panda United Company. On 13/09/1420H (corresponding to 21/12/1999G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) to six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register. On 05/05/1424H (corresponding to 05/07/2003G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares to eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each 3.6667 shares owned by the shareholders registered on the Company's shareholder register. On 29/03/1425H (corresponding to 18/05/2004G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares to one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus shares for each four (4) shares owned by the shareholders registered on the Company's shareholder register. On 09/02/1426H (corresponding to 19/03/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares to one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares with nominal value fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register. On 10/06/1426H (corresponding to 16/07/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares to one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each five (5) shares owned by the shareholders registered on the Company's shareholder register. On 14/10/1426H (corresponding to 16/11/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares to one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares with a value of four hundred (400) Saudi Riyals per share (representing a nominal value of fifty (50) Saudi Riyals and an issuance premium of three hundred and fifty (350) Saudi Riyals), through the issuance of six million (6,000,000) right issue shares at the rate of one (1) share for each five (5) shares owned by the shareholders registered on the Company's shareholder register. On 17/03/1427H (corresponding to 15/04/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares to three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one hundred twenty million (120,000,000) bonus shares. On 18/09/1427H (corresponding to 11/10/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares with nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register. On 17/03/1429H (corresponding to 25/03/2008G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each three (3) shares owned by the shareholders registered on the Company's shareholder register. On 01/01/1435H (corresponding to 04/11/2013G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the issuance of thirty-three million nine hundred eighty thousand eight hundred forty (33,980,840) New Shares as consideration for the acquisition of the shares owned (directly or indirectly) by AlMuhaidib Holding Company in each of Savola Foods Company (representing 10%) and Alazizia Panda Limited Company (representing 18.6%).

On [•]H (corresponding to [•]G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares to 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 through a rights issue.

As of the date of this Prospectus, the number of listed shares is five hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (533,980,684) shares. The Company has filed an application with the Saudi Capital Market Authority ("**CMA**") in the Kingdom of Saudi Arabia for registering and offering the New Shares. Another application has been submitted by the Company with Tadawul to accept the listing of the New Shares. This Prospectus has been approved as all the required documents have been submitted and all the requirements of the relevant authorities have been fulfilled. The trading of New Shares is expected to commence on Tadawul shortly after the final allocation of New Shares and refund of extra subscriptions (please refer to page "xxi" ("**Key Dates and Subscription Procedures**") of this Prospectus). Upon registering and listing of the New Shares, KSA nationals; non-Saudi nationals holding valid residence permits in Saudi Arabia; GCC nationals, Saudi and GCC companies and funds and Qualified Foreign Financial Investors will be permitted to trade in the Shares pursuant to the CMA's Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Furthermore, other categories of foreign investors are entitled to the economic benefits associated with the New Shares by concluding swap agreements with persons authorized by CMA (the "**Licensed Person**"), noting that the Licensed Person shall in such case be the registered legal owner of shares.

The "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" of this Prospectus together with the entirety of the Prospectus should be read carefully prior to making a decision to invest in the New Shares offered hereunder.

Financial Advisor

الرياض المالية
Riyad Capital

Lead Managers

الرياض المالية
Riyad Capital

anbcapital

Underwriters

الرياض المالية
Riyad Capital

anbcapital

This Prospectus includes information provided in the application for listing and offering of securities in accordance with Rules on the Offer of Securities and Continuing Obligations issued by Capital Market Authority of the Kingdom of Saudi Arabia (the "**Authority**" or "**CMA**"), and the application for listing of securities in compliance with the listing rules of the Saudi Stock Exchange. The Directors, whose names appear on page (iv) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts that omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

The offering of Rights under this Prospectus is contingent on the shareholder's approval to increase the share capital in accordance with the Board's recommendation and the Company obtaining regulatory approvals. An invitation was sent to hold an Extraordinary General Assembly Meeting (EGM) to increase the capital through a Rights Issue on [•]H (corresponding to [•]G).

This Prospectus was issued on 25/01/1446H (corresponding to 31/07/2024G).

Important Notice

This Prospectus (the "**Prospectus**") provides full details of information relating to the Company and the Rights Shares offered for subscription. In subscribing to the Rights Shares, investors shall be treated as applying on the basis of the information contained in this Prospectus, copies of which are available at the head office of the Company, the Lead Managers, or by visiting the Company's website (www.savola.com), Financial Advisor's website (www.riyadcapital.com), or the CMA's website (www.cma.org.sa).

The Prospectus will be published and assured to be available to the public within a period not less than (14) days prior to the date of the EGM on the Capital Increase. In the event that the Extraordinary General Meeting does not approve the capital increase within six months from the date of the Authority's approval on registering and offering the Right Issue, such an approval given by the Authority shall be deemed to be canceled.

The Company has appointed Riyad Capital as a financial advisor ("**Financial Advisor**"), Riyad Capital and ANB Capital as lead managers ("**Lead Managers**"), and Riyad Capital and ANB Capital as underwriters ("**Underwriters**") (Please refer to Section 10 ("**Underwriting**") of this Prospectus for more information) regarding the offering of Rights Shares to increase the Company's capital under this Prospectus.

This Prospectus includes information given in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended by the board of the CMA pursuant to Resolution No. 3-6-2024 dated 05/071445H (corresponding to 17/01/2024G). The Members of the Board of Directors, whose names appear in this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA or Tadawul will not take any responsibility for the contents of this Prospectus and will not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable studies and enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, substantial portions of the market and industry information referenced herein are derived from external sources. While none of the Company, its officers, directors, Financial Advisor, or the Company's advisors, whose names appear on Pages (vi) to (ix) of this Prospectus ("**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of its Advisors have independently verified such information. Accordingly, no representations or assurances are made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus, as of the date of its publication, is subject to change. In particular, the actual financial position of the Company and the value of Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (please refer to Section 2 ("**Risk Factors**") of this Prospectus). Neither this Prospectus nor any oral or written communication in relation to the Rights Shares is intended to be, nor should be construed as or relied upon in any way as a promise or representation as to future earnings, results or events.

This Prospectus should not be regarded as a recommendation by the Company or any of its directors or its Advisers, to participate in the subscription process to the Right issue shares. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial position, or particular investment needs of individuals wishing to invest in Rights Shares. Prior to making an investment decision, each recipient of this Prospectus shall obtain independent professional advice from a financial adviser licensed by CMA in relation to subscribing for the New Shares in order to assess the appropriateness of investment opportunity and information herein, with regard to the recipient's respective objectives, financial positions and needs.

All Registered Shareholders and other public investors ("**New investors**") may trade in the Rights and subscribe for the New Shares on the Saudi Stock Exchange ("**Tadawul**"). The trading period and subscription period will commence three (3) working days from the approval of the capital increase by the Extraordinary General Assembly, from [•]H (corresponding to [•]G), provided that the trading period ends on [•]H (corresponding to [•]G) ("**Trading Period**"), while the subscription period will continue until the end of [•]H (corresponding to [•]G) ("**Subscription Period**"). It is important to note that the Trading Period and the Subscription Period will start on the same day, while the Trading Period continues until the end of the sixth day of the period, and the Subscription Period continues until the end of the ninth day of the same period.

Registered Shareholders will be allowed to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through Tadawul, or also taking no action with respect to the Rights they hold. During trading period, New Investors would also be allowed to buy and sell Rights through Tadawul.

Subscription to New Shares during the Subscription Period will take place in one phase as follows:

- During this Period, all Registered Shareholders and New Investors will be allowed to subscribe for the New Shares.
- The Registered Shareholder will be entitled to subscribe directly to the number of shares held thereby during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe thereto by the end of the settlement period (two working days).
- New Investors will be allowed to subscribe to the New Shares after the settlement of the Rights purchase process (two working days).
- Subscription will be available electronically through investment portfolios in trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker, provided that subscription is only approved for a number of New Shares as are eligible under the Rights available in the investment portfolio.

If any shares remain unsubscribed after the end of the Subscription Period ("**Rump Shares**"), they will be offered at no less than the Offering Price to a number of institutional investors ("**Institutional Investors**") (referred to as "**Rump Offering**"). Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on [•]H (corresponding to [•]G) and continue until 5:00 PM on [•]H (corresponding to [•]G) ("**Rump Offering Period**"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer until the lowest offer until all of the Rump Shares have been allocated (provided that the price shall not be less than the Offering Price). The Rump Shares shall be allocated on a pro rata basis among Institutional Investors that provided offers at the same price. The Fractional Shares shall be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offering Price) for the eligible persons, as per their entitlement on a pro rata basis no later than [•]H (corresponding to [•]G); noting that investor who did not subscribe or sell his Rights, and the owners of Fractional Shares, may not receive any consideration if the sale is made during the Rump Offering Period. In the event that Institutional Investors did not subscribe to all of the Rump Shares and factional shares, then these shares shall be allocated to the Underwriter, who shall subscribe for such shares at the Offering Price (please refer to Section 10 ("**Underwriting**") and Section 12 ("**Details on Shares and Subscription Terms and Conditions**") of this Prospectus).

In the event that Institutional Investors did not subscribe to all of the Rump Shares and factional shares, then these shares shall be allocated to the Underwriter, who shall subscribe for such shares at the Offering Price (please refer to Section 12 ("**Details on Shares and Subscription Terms and Conditions**") of this Prospectus). Final allocation will be announced no later than [•]H (corresponding to [•]G) (the "**Allocation Date**") (please refer to Section 12 ("**Details on Shares and Subscription Terms and Conditions**") of this Prospectus).

The offering of Rights under this Prospectus is contingent on the shareholder's approval to increase the share capital in accordance with the Board's recommendation and the Company's obtaining regulatory approvals. An invitation was sent to hold an Extraordinary General Assembly Meeting (EGM) to increase the capital through a Rights Issue on [•]H (corresponding to [•]G).

Information on Sector and Market

The Information and data related to the Saudi economy, the retail and food sectors and the market contained in this Prospectus, were obtained from various public sources. Although there is no reason to believe that this information lacks accuracy in its essence, the members of the Company's board of directors, shareholders and Advisors have not independently verified the validity of this information and data, and therefore no clear statement or confirmation can be given regarding the correctness and completeness of this information.

Financial

The Company's audited financial statements for the Financial Years ended on 31 December 2021G, 2022G, and 2023G, in addition to the notes thereto, were prepared in accordance with International Financial Reporting Standards (IFRS) as approved in the Kingdom of Saudi Arabia, and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (SOCPA).

The Company's financial statements for the Financial Years ended on 31 December 2021G, 2022G, and 2023G have been audited by KPMG.

The Company's financial statements are presented in Saudi Riyals. Some of the financial and statistical information contained in this Prospectus has been rounded to the nearest whole number, and accordingly, if the numbers indicated in the tables are added, their sum may not correspond to the totals set forth in this Prospectus.

Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain assumptions based on the information of the Company as per its expertise in the market in addition to the publicly available market information. The Company's future conditions may differ from the assumptions used, and no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the information contained in this Prospectus has been prepared with due care.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can be identified by their use of forward-looking words such as "will", "may", "plans", "intends", "estimates", "believes", "expects", "anticipates", "should", "would be", or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events and are not a guarantee or confirmation of the Company's future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The most important risks and factors that may have such an effect are described in more detail in other sections of this Prospectus (Refer to Section 2 ("**Risk Factors**") of this Prospectus). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of Article 49 of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the Prospectus has been published, and before the completion of the Offering, the Company becomes aware that: (1) there has been a significant change in material matters contained in this Prospectus or, (2) additional important matters that should have been included in this Prospectus.

Except for both aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events, or otherwise. As a result of the above, other risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or not occur at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not primarily rely on forward-looking statements.

Company's Directory

Board Members

Table (1.1): Board Members

No.	Name	Position	Nationality	Age	Membership status - Inter-dependency status	Appointment date*	Shares		Percentage
							Direct	Indirect	
1	Sulaiman Abdulkader Almuhaidib	Chairman	Saudi	69	Non-executive – Non-independent	01/07/2022G	1,000	-	0.0001873%
2	Bader Abdullah Mohammed Alissa	Vice Chairman	Saudi	45	Non-executive – Non-independent	01/07/2022G	1,025	-	0.0001920%
3	Mutaz Kusai Hassan Alazzawi	Member	Saudi	52	Non-executive – Non-independent	01/07/2022G	1,000	-	0.0001873%
4	Ahmed Waza Mohammed Alqahtani	Member	Saudi	39	Non-executive – Non-independent	01/07/2022G	-	-	-
5	Fahad Abdullah Abdulaziz Alkassim	Member	Saudi	58	Non-executive – Non-independent	01/07/2022G	2,000	-	0.0003745%
6	Ahmad Abdulrahman Saleh Alhumaidan	Member	Saudi	34	Non-executive – Non-independent	01/07/2022G	-	-	-
7	Isam Majid Abdullatif Almuhaideb	Member	Emirati	52	Non-executive – Non-independent	01/07/2022G	24,029	-	0.0045000%
8	Mohammed Ibrahim Mohammed Alissa	Member	Saudi	40	Non-executive – Independent	01/07/2022G	1,000	-	0.0001873%
9	Rakan Abdulaziz Mohammed Alfadl	Member	Saudi	44	Non-executive – Independent	01/07/2022G	142,060	-	0.0266040%
10	Bader Hamad Abdullah Alrabiah	Member	Kuwaiti	42	Non-executive – Independent	01/07/2022G	2,500	-	0.0004682%
11	Waled Abdullah Saad Alghreri	Member	Saudi	41	Non-executive – Independent	01/07/2022G	675	-	0.0001264%

Source: The Company

Senior Management

Table (1.2): Senior Executives

No.	Name	Position	Nationality	Age	Membership date*	Shares		Percentage
						Direct	Indirect	
1	Waleed Khalid Yassin Fatani	Savola CEO	Saudi	57	01/01/2021G	14,826	-	0.0028%
2	Bandar Talaat Hamouh	Panda Retail Co. CEO	Saudi	57	15/01/2017G	10,026	-	0.0019%
3	Sameh Mahmoud Hassan Mahmoud	Savola Foods Co. CEO	Egyptian	58	02/12/2018G	24,836	-	0.0047%
4	Wajid Usman Khan	Group CFO	Pakistani	46	06/04/2006G	7,537	-	0.0014%
5	Mohammad Jamil Mohammad Nasr	Group Chief Investment Officer (CIO)	Jordanian	46	06/01/2019	-	-	-
6	Elnour Ali Saad	Chief Governance, Compliance and Legal Officer and Board Secretary	Sudanese	52	22/12/1998G	21,000	-	0.0039%
7	Morhaf Mohammed Abdulghani Alsamman	Chief Human Resources Officer (CHRO)	Saudi	43	21/03/2016G	4,483	-	0.0008%

Source: The Company

Address of the Company and its Representatives

Address of the Company and Authorized Representatives	
Company Address	
Savola Group Company Savola Tower - Headquarters Ashati District, Prince Faisal Ibn Fahd Road 2444 Taha Kusaifan Unit No. 15 Jeddah 23511-7333 Kingdom of Saudi Arabia Phone: +966 (12) 2687800 Fax: +966 (12) 2687828 Website: www.savola.com Email: CGNour@savola.com	
Company Representatives	
Mr. Bader Abdullah Mohammed Alissa Vice Chairman of the Board of Directors Phone: +966 (12) 268 7733 Fax: +966 (11) 880 3434 Address: Jeddah City, Prince Faisal Ibn Fahd Road, Ashati District 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333 Kingdom of Saudi Arabia Email: bader@savola.com	**Waleed Khalid Yassin Fatani** Group Chief Executive Officer Phone: +966 (12) 268 7755 Fax: +966 (12) 268 7890 Address: Jeddah City, Prince Faisal Ibn Fahd Road, Ashati District 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333 Kingdom of Saudi Arabia Email: IR@savola.com
Stock Exchange	
Saudi Stock Exchange (Tadawul) King Fahad Road, Al Ulaya 6897 Riyadh 12211-3388 Kingdom of Saudi Arabia Tel: +966 (11) 92000 1919 Fax: +966 (11) 218 9133 Website: www.saudiexchange.sa E-mail: csc@saudiexchange.sa	
Depository Center	
Securities Depository Center Company (Edaa) King Fahd Road - Olaya 6897 Unit No.: 11 P.O. Box. 3388 Riyadh 12211 Kingdom of Saudi Arabia Phone: +966 920026000 Fax: +966 (11) 218 9133 Website: www.edaa.sa E-mail: cc@edaa.com.sa	

Advisors and Auditors

Advisors and Auditors
Financial Advisor
Riyad Capital Granada Business 2414, Al Shohda District Unit No. 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Phone: + 966 (11) 486 5649 Fax: +966 (11) 487 5908 Website: www.riyadcapital.com Email: ask@riyadcapital.com
Lead Managers
Riyad Capital Granada Business 2414, Al Shohda District Unit No. 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Phone: + 966 (11) 486 5649 Fax: +966 (11) 4875908 Website: www.riyadcapital.com Email: ask@riyadcapital.com
ANB Capital P.O. Box 22009 Riyadh 11311 Kingdom of Saudi Arabia Phone: +966 (11) 406 2500 Fax: +966 (11) 406 2548 Website: www.anbcapital.com.sa Email: Investment.Banking@anbcapital.com.sa

Underwriters	
Riyad Capital Granada Business 2414, Al Shohda District Unit No. 69 Riyadh 13241-7279 Kingdom of Saudi Arabia Phone: + 966 (11) 486 5649 Fax: +966 (11) 487 5908 Website: www.riyadcapital.com Email: ask@riyadcapital.com	الرياض المالية Riyad Capital
ANB Capital P.O. Box 22009 Riyadh 11311 Kingdom of Saudi Arabia Phone: +966 (11) 406 2500 Fax: +966 (11) 406 2548 Website: www.anbcapital.com.sa Email: Investment.Banking@anbcapital.com.sa	anbcapital
Legal Advisor to the Issuer	
Baker McKenzie P.O. Box 69103 Riyadh 11547 Kingdom of Saudi Arabia Tel: +966 (11) 265 8900 Fax: +966 (11) 265 8999 Website: www.bakermckenzie.com E-mail: legal.advisors@bakermckenzie.com	Baker McKenzie.
Legal Advisor to the Financial Advisor, Lead Managers and Underwriters	
Latham & Watkins LLP King Fahd Road Al-Tatweer Towers - Tower 1 - Seventh Floor P.O. Box 17411 Riyadh 11484 Kingdom of Saudi Arabia Phone: +966 (11) 207 2500 Fax: + 966 (11) 207 2577 Website: www.lw.com Email: projectsigma2024.lwteam@lw.com	LATHAM & WATKINS LLC

Market Study Consultant
Euromonitor International Limited 60-61 Britton Street London EC1M 5UX United Kingdom Phone: +44 20 7251 8024 Fax: +44 20 7608 3149 Website: www.euromonitor.com Email: emi.projectsigma@euromonitor.com

Auditor
(Of Financial Years ended on 31 December 2021G, 2022G and 2023G)
KPMG Professional Services (closed joint stock) Zahran Business Center Prince Sultan Street P.O. Box. 55078 Jeddah 21534 Kingdom of Saudi Arabia Phone: +966 122303000 Fax: +966 122303111 Website: www.kpmg.com.sa Email: marketingsa@kpmg.com

Note:

The above Advisors and the independent Auditor have provided and have not withdrawn, as of the date of this Prospectus, their written consent to the publication of their names and logos in the Prospectus, and to the inclusion of their statements in the form and content set out in this Prospectus.

Summary of the Offering

Prospective Investors should read the entire Prospectus before making a decision as to whether or not to trade or subscribe to the Rights Shares. In particular, they should take into account the "**Important Notice**" Section and Section 2 – "**Risk Factors**" of this Prospectus. Below is the summary of the Offering:

Issuer's Name, Description, and Information on its Incorporation	Savola Group Company (hereinafter referred to as the "**Company**" or "**Savola**" or "**Issuer**") was established as a Saudi joint stock company, 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). The Company's head office is located in Savola Tower, the city of Jeddah, Prince Faisal Ibn Fahd Road, Ashati District, 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333, Kingdom of Saudi Arabia. The Company's current share capital is five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with nominal value of ten (10) Saudi Riyals per share. On 25/05/1412H (corresponding to 01/12/1991G), the Company listed and registered one million eight hundred thousand (1,800,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share on the Saudi Stock Exchange ("**Tadawul**"), of which one million two hundred thousand (1,200,000) ordinary shares were offered for public subscription for a nominal value of one hundred (100) Saudi Riyals per share, representing 66.66% of the Company's share capital. Upon the listing of the Company on Tadawul, its share capital amounted to three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share. On 29/11/1416H (corresponding to 17/04/1996G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares to three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each six (6) shares owned by the shareholders registered on the Company's shareholder register. On 27/11/1418H (corresponding to 25/03/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares to four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register. On 11/09/1419G (corresponding to 25/12/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares to five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the issuance of three million (3,000,000) New Shares, for the purpose of acquiring the shares of shareholders of Alazizia Panda United Company by allocating one (1) share for each six (6) shares in Alazizia Panda United Company. On 13/09/1420H (corresponding to 21/12/1999G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) to six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register. On 05/05/1424H (corresponding to 05/07/2003G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares to eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each 3.6667 shares owned by the shareholders registered on the Company's shareholder register. On 29/03/1425H (corresponding to 18/05/2004G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares to one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus shares for each four (4) shares owned by the shareholders registered on the Company's shareholder register.

Issuer's Name, Description, and Information on its Incorporation	On 09/02/1426H (corresponding to 19/03/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares to one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares with nominal value fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register. On 10/06/1426H (corresponding to 16/07/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares to one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each five (5) shares owned by the shareholders registered on the Company's shareholder register. On 14/10/1426H (corresponding to 16/11/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares to one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares with a value of four hundred (400) Saudi Riyals per share (representing a nominal value of fifty (50) Saudi Riyals and an issuance premium of three hundred and fifty (350) Saudi Riyals), through the issuance of six million (6,000,000) right issue shares at the rate of one (1) share for each five (5) shares owned by the shareholders registered on the Company's shareholder register. On 17/03/1427H (corresponding to 15/04/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares to three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one hundred twenty million (120,000,000) bonus shares. On 18/09/1427H (corresponding to 11/10/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares with nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register. On 17/03/1429H (corresponding to 25/03/2008G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each three (3) shares owned by the shareholders registered on the Company's shareholder register. On 01/01/1435H (corresponding to 04/11/2013G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the issuance of thirty-three million nine hundred eighty thousand eight hundred forty (33,980,840) New Shares as consideration for the acquisition of the shares owned (directly or indirectly) by AlMuhaidib Holding Company in each of Savola Foods Company (representing 10%) and Alazizia Panda Limited Company (representing 18.6%). On [•]H (corresponding to [•]G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares to 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 through a rights issue.

Summary of the Issuer's Activities	The Company'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. The Company's activities, as stated in its Bylaws, are to carry out and implement the following purposes: a- Head office activities (oversight and management of other units of the Company 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 scope of 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. The Company 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. The Company conducts its activities through its head office in the city of Jeddah. For more information, please refer to Section 3 ("**Background of the Company and Nature of its Business**") of this Prospectus.
Substantial Share-holders	The following table sets out the number of shares and the percentage of ownership of Company substantial shareholders as at the date of this Prospectus (those who own 5% or more of the company's shares) before and after the offering:

Table (1.3): Substantial Shareholders

Shareholder	Pre-Offering Ownership (Direct)		Post-Offering Ownership (Direct)*	
	Number of Shares	Ownership	Number of Shares	Ownership
Assila Investments Company (Closed JSC)	60,000,000	11.236%	127,418,169	11.236%
Abdulkader AlMuhaidib and Sons Company (Closed JSC)	43,966,110	8.234%	93,368,021	8.234%
Abdullah Mohammed Abdullah AlRabiah	43,892,500	8.22%	93,211,700	8.22%
AlMuhaidib Holding Company	33,980,684	6.364%	72,162,609	6.364%

Source: Tadawul's and the Company's websites as at 05/12/1445H (corresponding to 11/06/2024G).

* Assuming all Substantial Shareholders fully subscribe to their shares in the Rights Issue.

N.B.: It should be noted that some Substantial Shareholders, namely Assila Investments Company (Closed JSC), Abdulkader AlMuhaidib and Sons Company (Closed JSC), and AlMuhaidib Holding Company, have committed to subscribing to their shares of the Rights Issue shares.

Additionally, other shareholders, including but not limited to, the General Organization for Social Insurance and its subsidiaries, have committed to subscribing to their share of the Rights Issue shares. The total Rights Issue shares that shareholders (including Substantial Shareholders and non-Substantial Shareholders) have committed to subscribe to represent 48% of the total Offering.

Nature of the Offering	Increasing the Company's capital through the issuance of Rights Shares.
Purpose of the Offering	By increasing its capital through the issuance of Rights Shares, the Company aims to strengthen its financial position and support its future investment portfolio by paying off its debts and enabling it to distribute its shares in Almarai to its shareholders through a capital reduction following the Rights Issue (for further information, please refer to Section 8 ("**Use of Proceeds**") of this Prospectus).
Total Estimated Proceeds, Breakdown Analysis and Description of its Potential Use	The Net Offering Proceeds will amount to approximately five billion nine hundred and forty-nine million (5,949,000,000) Saudi Riyals, which will be fully utilized to repay the Company's outstanding debt. The following table shows the expected use of the Offering Proceeds:

SAR (million)	2024G Q4	Total	% of Total Offering Proceeds
Repayment of long-term loans	3,797	3,797	63.3%
Repayment of short-term loans	2,152	2,152	35.9%
Repayment of existing loans	5,949	5,949	99.2%
Offering Expenses	51	51	0.8%
Total	6,000	6,000	100%

Source: The Company

For more information on the analysis of the use of the Offering proceeds, please refer to Section 8 ("**Use of Proceeds**") of this Prospectus.

Offering Costs	The Company shall bear all expenses associated with Rights Issue, which are estimated at approximately fifty-one million (51,000,000) Saudi Riyals, which shall be deducted from total Offering Proceeds amounting to six billion (6,000,000,000) Saudi Riyals. Such amounts include the fees of the Financial Advisor, Lead Managers, Underwriters, Legal Advisor, Auditor, marketing, printing and distribution, as well as other related expenses, (for more information please refer to Section 6 ("**Use of Proceeds**") of this Prospectus).
Net Proceeds	The net Offering Proceeds are estimated at five billion nine hundred and forty-nine million (5,949,000,000) Saudi Riyals (for more information please refer to Section 6 ("**Use of Proceeds**") of this Prospectus).

Proceeds as Previously Obtained from the Previous Rights Issue, Breakdown Analysis, Description and Uses

The total proceeds from the previous subscription amounted to two billion four hundred million (2,400,000,000) Saudi Riyals.

On 14/10/1426H (corresponding to 16/11/2005G), the Extraordinary General Assembly of Company Shareholders resolved to approve increasing the Company's capital from one billion five hundred million (1,500,000,000) Saudi Riyals, divided into thirty million (30,000,000) ordinary shares, to one billion eight hundred million (1,800,000,000) Saudi Riyals, divided into thirty-six million (36,000,000) ordinary shares with a value of four hundred (400) Saudi Riyals per share (consisting of fifty (50) Saudi Riyals in nominal value and three hundred and fifty (350) Saudi Riyals as a premium), by issuing six million (6,000,000) Rights Shares at a ratio of one (1) share for every five (5) shares held by Shareholders registered in the Shareholders' Register.

The prospectus of the Company's last rights issue was published on 14/11/1426H (corresponding to 16/12/2005G). While the offering's use of proceeds actually amounted to 2,400 million Saudi Riyals, the use of proceeds and the capital expenditure plans, as disclosed, amounted to 3,280 million Saudi Riyals. This represented an increase of 890 million Saudi Riyals from the rights issue's use of proceeds which amounted to 2,400 million Saudi Riyals. The difference has been financed through cash flows from the Company's operations (as disclosed in Section 3-1 ("**Use of Proceeds**") of the previous prospectus).

These proceeds of the offering were used in accordance with what was disclosed in the previous prospectus.

The following table shows details of the use of the previous offering proceeds:

Description	Disclosed Use (Million of Saudi Riyals)*	Actual Use of Proceeds (Million of Saudi Riyals)	Actual Use of Cash Flow (Million of Saudi Riyals)	Total Actual Use of the Offering Proceeds and Cash Flow (Million of Saudi Riyals)	Variation between Disclosed Use and the Total Actual Use of the Offering Proceeds and Cash Flows (Million of Saudi Riyals)	Variation between Disclosed Use and the Total Actual Use of the Offering Proceeds and Cash Flows (%)
Retail Trade Sector*	2,200	1,557	-	1,557	(643)**	(29%)
Sugar Sector: United Sugar Company Egypt (Savola's indirect investments)	43	43	-	43	-	-
Sugar Sector: United Sugar Company Egypt (Savola's direct investments)	37	37	-	37	-	-
Other expansion projects	1,000	754	246	1,000	-	-
Offering Expenses	10	9	-	9	(1)****	(10%)
Total	**3,290*** **	**2,400**	**246**	**2,646**	**(644)**	**(20%)**
Total Offering Proceeds	**2,400**	**2,400**	**-**	**2,400**	**-**	**-**

Source: The Company

* The use of Proceeds as disclosed in the Prospectus related to the Company's most recent Rights Issue dated 16/12/2005G (14/11/1426H).

** The difference between the actual and disclosed use is due to the fact that the Company planned to invest in a commercial complex from 2005G to 2007G, but the commercial complex was sold in September 2006G. The indicated usage difference was used to make other investments.

*** Represents total proceeds in addition to the capital expenditure plans as disclosed in the Prospectus related to the Company's most recent rights issue dated 16/12/2005G (14/11/1426H).

**** The difference between the disclosed use and the total actual use of the offering proceeds is due to the difference between the expected expenditure before the completion of the offering and the actual underwriting expenditure after the completion of the offering. The aforementioned difference was used to carry out the Company's normal business.

Company's Capital Pre- Offering

Five billion, three hundred and thirty-nine million, eight hundred and six thousand, eight hundred and forty (5,339,806,840) Saudi Riyals.

Total Number of Existing Issued Shares Prior to the Offering

Five hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (533,980,684) ordinary shares.

Company's Capital Post-offering	Eleven billion, three hundred and thirty-nine million, eight hundred and six thousand, eight hundred and forty (11,339,806,840) Saudi Riyals.
Total number of Issued Shares Post to the Offering	One billion, one hundred and thirty-three million, nine hundred and eighty thousand, six hundred and eighty-four (1,133,980,684) ordinary shares.
Nominal Value Per Share	SAR (10) per share
Total Number of Rights Shares Offered for Subscription	Six hundred million (600,000,000) ordinary shares.
Percentage of Rights Shares Offered to the Capital	112.36%
New Shares	Six hundred million (600,000,000) ordinary shares to be issued as a result of the Company's capital increase.
Offering Price	Ten (10) Saudi Riyals per share
Total Offering Value	Six billion (6,000,000,000) Saudi Riyals.
Number of Underwritten Shares	Six hundred million (600,000,000) ordinary shares representing 100% of the total Offering.
Total Value of Underwritten Shares	Six billion (6,000,000,000) Saudi Riyals.
Categories of Targeted Investors	All shareholders of Rights, whether Registered Shareholders or new investors. ("**Eligible Persons**")
Registered Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and are registered in the Company's Shareholders Register held with the Depository Center at the end of the second trading day following the Extraordinary General Assembly on capital increase dated [•]H (corresponding to [•]G).
New Shareholders	Individual and institutional investors, except for Registered Shareholders, who purchased the Rights Issue during the trading period.
The Rights	Rights are tradable securities that entitle their holders the right to subscribe to New Shares upon approval of the capital increase. It is an earned right for all Registered Shareholders and each Right entitles its holder to subscribe to one share of the New Shares at the Offering Price. Rights will be deposited in Registered Shareholder portfolios within two days after the Extraordinary General Assembly for the capital increase has convened. These rights will appear in the Registered Shareholders' portfolios under a new preemptive right-related symbol. The Registered Shareholders will be informed of the deposit of the Rights in their portfolios.
Number of Rights Shares Issued	Six hundred million (600,000,000) Rights.
Subscription Rights Issue Ratio	(1.1236) right per each (1) existing share owned by the Registered Shareholders. This factor is the result of dividing the number of New Shares by the number of the current shares of the Company.
Eligibility Date	Shareholders who own shares at the date of the EGM on Capital Increase, and who are registered in the Company's Shareholders Register at the close of the second trading day following the date of the Extraordinary General Meeting on the capital increase, on [•]H (corresponding to [•]G).
Trading Period	The Trading Period shall begin three (3) working days from the approval of the capital increase by the Extraordinary General Assembly on [•]H (corresponding to [•]G), and continue until the end of day on [•]H (corresponding to [•] G), during which, all Rights holders, whether Registered or Unregistered Shareholders, may trade in the Rights. It should be noted that the Trading Period continues until the end of the sixth day of the Trading Period.
Subscription Period	The Subscription Period shall begin three (3) working days from the approval of the capital increase by the Extraordinary General Assembly on [•]H (corresponding to [•]G), and continue until the end of day on [•]H (corresponding to [•]G), during which, all Rights holders, whether Registered or Unregistered Shareholders, may trade in the Rights. It should be noted that the Trading Period continues until the end of the sixth day of the Trading Period.

Subscription Method	Eligible Persons wishing to subscribe for the New Shares shall submit the subscription application forms online via the brokers' websites and platforms that provide such service for subscribers or by any other means provided by the brokers.
Exercising the Rights	Eligible Persons subscribing to the new Rights shares by subscribing electronically through the websites and platforms of electronic Brokers that provide such services to subscribers, or through any other means provided by the Brokers. Eligible Persons may exercise Rights as follows: 1- At the subscription stage, Registered Shareholders may exercise such Rights or any other rights acquired thereby during the Trading Period, and they shall also be entitled to take no action regarding the Rights held thereby. 2- During the subscription stage, the unregistered shareholders can exercise the Rights purchased thereby during the Trading Period, and they shall also be entitled to take no action regarding the Rights held thereby. In the event that Registered Shareholders and New Investors do not exercise their Rights at the end of the Offering Period, the Rump Shares resulting from such failure to exercise those Rights will be offered during the Rump Offering Period.
Indicative Value of the Right	The indicative value of the Right is the difference between the market value of a Company share during the Trading Period and the Offering Price. Tadawul will calculate and publish the indicative value of the right during the Trading Period on its website with a five (5) minute delay, and market information service providers will publish such information allowing investors to see the indicative value of the right when entering orders.
Right Trading Price	The price at which the Right is traded, as determined by supply and demand, which therefore may differ from the indicative value of the Right.
Rump Offering	In the event that shares remain unsubscribed for at the end of the Offering Period (the "**Rump Shares**"), then said shares shall be offered to a number of institutional investors ("**Institutional Investors**"), which shall submit their offers to purchase the Rump Shares, which offers shall be received starting from ten (10:00) on the morning of [•]H (corresponding to [•]G) until five o'clock (17:00) in the evening of [•]H (corresponding to [•]G), (the "**Rump Offering Period**"). The Rump Shares shall be allocated to Institutional Investors based on the highest price offered thereby (provided that it is not less than the Offering Price), and provided that the shares are allocated proportionally to Institutional Investors that submit similar offers. Fractional Shares shall be added to the Rump Shares and treated as such.
Allocation Method and Surplus Refund	Shares will be allocated to eligible persons based on the number of Rights fully and correctly exercised thereby. Fractional Shares shall be added to the Rump Shares and then offered to Institutional Investors during the Rump Offering Period. Total proceeds from the Rump Offering shall be paid to the Company, with the balance thereof (if any) distributed without fees or deductions (in excess of the Offering Price) to beneficiaries who did not subscribe to New Shares in whole or in part and to the beneficiaries of Fractional Shares. Noting that Investors who did not subscribe or sell their Rights, and the owners of Fractional Shares, may not receive any consideration if the sale is made during the Rump Offering Period (please refer to Section 12 ("**Information Related to Shares and the Terms and Conditions of the Offering**") of this Prospectus). The subscription surplus (if any) will be refunded to subscribers without any commissions or deductions by the Lead Managers.
Allocation Date	Shares shall be allocated no later than [•]H (corresponding to [•]G).
Subscription Surplus Refund Date	Subscription Surplus (if any) will be refunded without any commissions or deductions by the Lead Managers no later than [•]H (corresponding to [•]G).
Compensation Payment (if any)	Cash compensation shall be paid to Eligible Persons who did not exercise their Right to subscribe in whole or in part to the New Shares and to those entitled to Fractional Shares without any deductions no later than [•]H (corresponding to [•]G) (please refer to Section 12 ("**Information Related to Shares and the Terms and Conditions of the Offering**") of this Prospectus); noting that the cash compensation amounts represent the Offering Price net proceed surplus from the sale of Rump and Fractional Shares.
Adjusted Price	The Company's Share price on the Saudi Stock Exchange (Tadawul) has been adjusted to [•] Saudi Riyals per share, prior to the trading day following the day of the Extraordinary General Assembly meeting on the capital increase; which represents a decrease of [•] Saudi Riyals per share.
New Share Trading	Trading of Right Shares is expected to commence on the Saudi Stock Exchange (Tadawul) after completing all the procedures related to the registration, allocation and listing of the New Shares.

Listing and Trading of Rights	Rights shall be listed on Tadawul and traded during the Trading Period. Tadawul is preparing mechanisms governing the process of trading Rights in its systems. A separate symbol for the Company's Rights, independent of the Company's share symbol, shall be employed on Tadawul. During the Trading Period, Registered Shareholders have several options including selling the acquired Rights or part thereof on the Exchange, buying additional rights through the Exchange or not doing anything in relation to the Rights, whether by selling them or buying additional Rights. During the Trading Period, New Investors will have the right to buy Rights through the Exchange, sell them or part thereof or not to take any action regarding the Rights purchased during the Trading Period. The "**Tadawul**" system will cancel the Company's Rights symbol at the end of the Trading Period, and accordingly the trading of Rights will cease at the end of said Period.
Entitlement to Dividends	Owners of the shares offered for subscription shall be entitled to any dividends declared by the Company as of the beginning of the Offering Period.
Voting Rights	The Company has one class of ordinary shares, which do not carry any preferential rights. Each Share entitles the holder to attend General Assemblies and cast one vote thereat, where cumulative voting shall be used to elect the board of directors. General Assembly meetings may be held with shareholders participating in deliberations and voting by means of technology in accordance with the controls set by the competent authority.
Restrictions on Shares	There are no restrictions on the trading of the Company's shares except for the regulatory restrictions imposed on the shares listed in general.
Right Shares Trading Restrictions	There are no restrictions on the trading of the Rights Shares.
Restrictions on the New Shares, following the Capital Increase	There are no restrictions on shareholders in general and on founding shareholders, following the subscription resulting from the capital increase.
Shares previously listed by the Issuer	Savola Group Company (hereinafter referred to as the "**Company**" or "**Savola**" or "**Issuer**") was established as a Saudi joint stock company, 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. The Company's head office is located in Savola Tower, the city of Jeddah, Prince Faisal Ibn Fahd Road, Ashati District, 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333, Kingdom of Saudi Arabia. On 25/05/1412H (corresponding to 01/12/1991G), the Company listed and registered one million eight hundred thousand (1,800,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share on the Saudi Stock Exchange ("**Tadawul**"), of which one million two hundred thousand (1,200,000) ordinary shares were offered for public subscription for a nominal value of one hundred (100) Saudi Riyals per share, representing 66.66% of the Company's share capital. Upon the listing of the Company on Tadawul, its share capital amounted to three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share. On 29/11/1416H (corresponding to 17/04/1996G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares to three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each six (6) shares owned by the shareholders registered on the Company's shareholder register. On 27/11/1418H (corresponding to 25/03/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares to four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register. On 11/09/1419G (corresponding to 25/12/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares to five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the issuance of three million (3,000,000) New Shares, for the purpose of acquiring the shares of shareholders of Alazizia Panda United Company by allocating one (1) share for each six (6) shares in Alazizia Panda United Company.

Shares previously listed by the Issuer	On 13/09/1420H (corresponding to 21/12/1999G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) to six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register. On 05/05/1424H (corresponding to 05/07/2003G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares to eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each 3.6667 shares owned by the shareholders registered on the Company's shareholder register. On 29/03/1425H (corresponding to 18/05/2004G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares to one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus shares for each four (4) shares owned by the shareholders registered on the Company's shareholder register. On 09/02/1426H (corresponding to 19/03/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares to one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares with nominal value fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register. On 10/06/1426H (corresponding to 16/07/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares to one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each five (5) shares owned by the shareholders registered on the Company's shareholder register. On 14/10/1426H (corresponding to 16/11/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares to one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares with a value of four hundred (400) Saudi Riyals per share (representing a nominal value of fifty (50) Saudi Riyals and an issuance premium of three hundred and fifty (350) Saudi Riyals), through the issuance of six million (6,000,000) right issue shares at the rate of one (1) share for each five (5) shares owned by the shareholders registered on the Company's shareholder register. On 17/03/1427H (corresponding to 15/04/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares to three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one hundred twenty million (120,000,000) bonus shares. On 18/09/1427H (corresponding to 11/10/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares with nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register.

Shares previously listed by the Issuer	On 17/03/1429H (corresponding to 25/03/2008G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each three (3) shares owned by the shareholders registered on the Company's shareholder register. On 01/01/1435H (corresponding to 04/11/2013G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the issuance of thirty-three million nine hundred eighty thousand eight hundred forty (33,980,840) New Shares as consideration for the acquisition of the shares owned (directly or indirectly) by AlMuhaidib Holding Company in each of Savola Foods Company (representing 10%) and Alazizia Panda Limited Company (representing 18.6%). On [•]H (corresponding to [•]G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares to 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 through a rights issue.
Conditions for Subscribing to Rights Shares	Eligible Persons wishing to subscribe to the New Shares must fulfill the relevant subscription conditions (for the subscription terms, conditions and instructions, please refer to Section 12 ("**Information Related to Shares and the Terms and Conditions of the Offering**") of this Prospectus.
The Public	Means, under the Rules on the Offer of Securities and Continuing Obligations and the Glossary of terms used in the regulations of the Capital Market Authority as issued by the CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) as amended by the CMA Board Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), any person other than the following: 1- Issuer affiliates. 2- Substantial Shareholders of the Issuer. 3- Board members and senior executives of the Issuer. 4- Board members and senior executives Subsidiary with the Issuer. 5- Board members and senior executives of the Issuer's Substantial Shareholders. 6- Any relatives of persons referred to in (1, 2, 3, 4 or 5) above. 7- Any company controlled by any persons referred to in (1, 2, 3, 4, 5 or 6) above. 8- Persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.
Risk Factors	Investing in this Offering involves certain risks, which can be categorized into: (i) company-related, (ii) market and sector-related, and (iii) equity-related (please refer to Section 2 ("**Risk Factors**") of this Prospectus)

Material changes to the information disclosed in the latest prospectus	The CMA approved the publication of the Company's latest Prospectus on 14/11/1426H (corresponding to 16/12/2005G). Below is a summary of the most important information that has changed since the CMA's approval of the latest Prospectus: • 2005G: Savola Group establishes Kenan Real Estate and divesting 70% of its shares through a private placement. • 2005G: Six million new Savola shares are issued through a rights issue. • 2006G: Savola invested in King Abdullah Economic City and Knowledge Economic City as a founding shareholder. • 2008G: Panda acquires Giant Stores and opens its first central distribution center in Riyadh. • 2009G: Panda acquires Géant Stores operations and expands its network to 152 locations. • 2010G: Herfy is listed on the Saudi Stock Exchange (Tadawul) with Savola retaining 49% of its shares. • 2011G: Savola Foods (a wholly-owned subsidiary of the Group) enters the pasta market by acquiring El Maleka Company and El Farasha Company in Egypt. • 2013G: Savola's first Sukuk issuance worth SAR 1.5 billion. • 2013G: Savola acquires Al Muhaidib's shares in Panda (18.6%) and Savola Foods Company (10%) in exchange for the issue of 33.9 million new Savola shares through a capital increase to SAR 5.34 billion. • 2015G: Savola Foods Company enters the seafood business through a partnership with global seafood leader, Thai Union, to launch the famous John West brand in 12 markets across the MENA region. • Savola Foods Company launches Afia Distribution Company in the Kingdom. • 2016G: Savola unveils a new brand identity, symbolizing its evolution to a strategic investment holding company. • 2017G: Savola sells a 2% stake in Almarai, as part of its capital re-allocation, whilst remaining the largest shareholder with a 34.52% stake. • 2017G Savola Foods Company commissions a new factory in Jeddah to manufacture specialty fats for the B2B market. • 2017G: Savola Foods Company establishes a joint venture in Iraq to create Bonus Food Company LLC, which is engaged in the refining and packaging of edible oils and vegetable ghee. • 2018G: Savola acquires a majority stake (51%) in Al Kabeer Group, one of the region's leading frozen foods companies. • 2019G: Savola issues the second tranche of Sukuk, pursuant to a new offering in an aggregate amount of SAR 1 billion. • 2021G: Savola Foods Company acquired 100% of Bayara for SAR 975 million in line with its growth strategy focused on expansion into high growth, value-added food categories with propositions directed towards the younger population. • 2022G: Sale of Savola's entire shares and stakes in Knowledge Economic City Company and Knowledge Economic City Developers Limited for SAR 459 million. • 2022G: Savola Foods Company begins expanding its bakery business in Egypt through the acquisition of bakery assets, with the aim of entering the snack food manufacturing and distribution business, in line with our stated ABCD growth strategy. • 2023G: Divestment of Savola's investments in the Kingdom of Morocco and the Republic of Iraq.

Note: The Section "**Important Notice**" on page (i) as well as Section 2 ("**Risk Factors**") of this Prospectus should be read carefully prior to making any decision to invest in the Rights Shares under this Prospectus.

Key Dates and Subscription Procedures

Table (1.4): Expected Offering Timetable

Event	Date
Convening the EGM on approving the capital increase and determining the date of eligibility and eligible shareholders, noting that eligible shareholders are those registered in the Company's register in the Depository Center as of the close of the second trading day following the EGM on the capital increase.	[•]H (corresponding to [•]G).
Trading Period*	The Trading Period shall begin on [•]H (corresponding to [•]G), and end on [•]H (corresponding to [•]G). During this period, all Rights holders - whether Registered Shareholders or New Investors - may carry out trading in Rights.
Subscription Period	The subscription period shall begin on [•]H (corresponding to [•]G), and end on [•]H (corresponding to [•]G). During this period, all Rights holders - whether Registered Shareholders or New Investors - may carry exercise their right to subscribe for the New Shares.
End of Subscription Period	[•]H (corresponding to [•]G). Subscription application shall no longer be accepted at the end of [•]H (corresponding to [•]G).
Rump Offering Period	From 10:00 AM on [•]H (corresponding to [•]G) until the following day at 5:00 PM on [•]H (corresponding to [•]G).
Notification of Final Allocation**	[•]H (corresponding to [•]G).
Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Offering, totally or in part, and those entitled to fractional Shares.	Compensations amounts, if any, will be paid no later than [•]H (corresponding to [•]G).
Expected date for commencement of trading in New Shares**	Trading in Offer Shares shall commence upon the completion of all related regulatory procedures. Trading will be announced later through local newspapers and the Tadawul website (www.saudiexchange.sa).

Note: All of the above-mentioned dates are approximate. Actual dates will be communicated on the website of Tadawul (www.saudiexchange.sa) and Savola (www.savola.com).

* The Trading Period shall begin three (3) working days from the approval of the capital increase by the Extraordinary General Assembly.

** The period of time between the end of subscription for the Rights Shares and the deposit of Shares in the shareholders' portfolios will be nine (9) working days.

Table (1.5): Key Announcement Dates

Announcement	Announced by	Announcement Date
Announcement of the EGM on Capital Increase	The Company	[•]H (corresponding to [•]G)
Announcement of results of the EGM on Capital Increase	The Company	[•]H (corresponding to [•]G)
Announcement of changes to Company's Share Price and deposit of Rights, and the announcement of indicative value of the Rights	Tadawul	[•]H (corresponding to [•]G)
Announcement of adding the Company's Issue Rights	Edaa	[•]H (corresponding to [•]G)
Announcement in relation to the determination of the Trading Period and subscription period	The Company	[•]H (corresponding to [•]G)
Announcement in relation to the commencement of the Trading Period and subscription period	Tadawul	[•]H (corresponding to [•]G)
Reminder in relation to the commencement of Trading Period and subscription period	The Company	[•]H (corresponding to [•]G)
Reminder in relation to the last day for trading Rights and noting the importance of selling Rights, for those who do not wish to subscribe to their own Rights	Tadawul	[•]H (corresponding to [•]G)
Announcement regarding the end of the subscription period	The Company	[•]H (corresponding to [•]G)
Announcement regarding: Subscription results Details of the sale of Unsubscribed Shares (if any) and commencement of the Rump Offering	The Company	[•]H (corresponding to [•]G)
Announcement regarding the results of the Rump Offering and notification of the final allocation	The Company	[•]H (corresponding to [•]G)
Announcement regarding the deposit of New Shares in investors' portfolios*	Edaa	[•]H (corresponding to [•]G)
Announcement of distribution of compensation amounts (if any) to Eligible Persons	The Company	[•]H (corresponding to [•]G)

Note: All of the above-mentioned dates are indicative. Actual dates will be communicated on the Tadawul's website (www.saudiexchange.sa) and Savola (www.savola.com). In addition, the date of depositing the New Shares in the investors' portfolios will be determined in coordination with the Securities Depository Center Company (Edaa).

* The period between the end of the Subscription Period and the deposit of shares into the Shareholders' portfolios will be nine (9) working days.

It should also be noted that in the event that an announcement related to the offering is published in a local newspaper after the Prospectus has been published, the announcement will include the following information, in accordance with Article 51 (e) of the OSCOs:

1- The issuer's name and its commercial registration number.
2- The securities, their value, type, and class covered by the securities registration and offering application.
3- The addresses and locations where the public can obtain the Prospectus.
4- The date of publication of the Prospectus.
5- A statement that the announcement is for information purposes only and does not constitute an invitation or an offer to own the securities by purchasing or subscribing thereto.
6- Name of the Lead Managers, Underwriters, Financial Advisors and Legal Advisor.
7- A disclaimer as follows: "The Capital Market Authority and the Saudi Stock Exchange take no responsibility for the contents of this disclosure, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this disclosure".

How to apply

Subscribing for the Rights Shares is initially limited to Eligible Persons, whether Registered Shareholders or New Investors. In the event that Eligible Persons do not subscribe for the Rights, the Unsubscribed Shares shall be offered to Institutional Investors during the Rump Offering Period. Eligible Persons wishing to subscribe for the New Shares should submit the subscription application forms via the means and services provided by the Broker to investors, under two main conditions:

- Eligible Persons shall have a bank account with the Brokers offering such services.
- The data of Eligible Persons data shall be up to date, and there should have been no changes in their personal information or data (including by addition or removal of a family member) since their subscription in a recent offering, unless the Brokers were notified of and approved these amendments.

Subscription applications shall be submitted through portfolios in trading platforms and applications, through which sell and buy orders are entered. In addition, it is possible to subscribe through any other means provided by the Broker and the custodian of shares. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the subscription terms or conditions. Upon submission, the subscription application form may not be amended or withdrawn. Instead, it shall represent a legally binding contract between the Company and the Eligible Shareholder (please refer to Section 12 ("**Information Related to Shares and the Terms and Conditions of the Offering**") of this Prospectus).

Q&A related to the New Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for New Shares upon approval of capital increase. They are acquired rights for all Shareholders who own shares at the date of the EGM for capital increase, and who are registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. Each Right grants its holder the right to subscribe for one New Share at the Offering Price.

Who is granted the Rights?

The Rights shall be granted to Shareholders registered in the Company's Register as of the close of the second trading day of the EGM on Capital Increase, also known as the Eligibility Date.

When are the Rights deposited?

Following the EGM and its approval to increase the capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of shareholders registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. The New Rights appear in their portfolios under a new code for the Rights. These Rights cannot be traded or subscribed by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

How are Registered Shareholders notified of the Rights being deposited in their portfolios?

The Registered Shareholders are notified through an announcement on the Tadawul website and through Tadawulaty Service provided by the Depository Center and SMS's sent through brokerages.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the number of Shares ratio held by the Registered Shareholder in the Company's Shareholders Register at the Depository Center as at the close of the second trading day after the EGM.

What is the Rights Issue Ratio?

The means by which the Registered Shareholder can determine the Rights it is entitled to, based on its shareholding under the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. It is calculated by dividing the number of New Shares by the number of the Company's Current Shares. The Rights Issue Ratio is approximately 1.1236 right per each (1) existing share owned by the Registered Shareholders on the Eligibility Date. Accordingly, if a Registered Shareholder owns one thousand (1,000) shares on the Eligibility Date, then 1.123 rights will be allocated thereto.

Will these Rights be tradable under a different name/ symbol than the name/ symbol of the Company's shares?

Yes, the Rights will be deposited in the investors' portfolios under the name of the original share, and by adding the word "Priority Rights", they will be deposited in a new symbol for these rights.

What is the value of the Right upon commencement of trading?

The opening price shall be the difference between the closing price of the share on the day preceding the Rights listing and the Offering Price (the indicative value of the Right). For example (using hypothetical prices), if the closing price of a share on the preceding day is twenty-five Saudi Riyals (SAR 25) and the Offering Price is ten Saudi Riyals (SAR 10), the opening price of the Rights upon the commencement of trading will be fifteen Saudi Riyals (SAR 15), the difference between the two relevant prices.

Who is the Registered Shareholder?

Any Shareholder whose name appear in the Company's Shareholders' Register at the end of the second trading day after the EGM.

Can Registered Shareholders subscribe for additional shares?

Yes, registered Shareholders can subscribe for additional shares by purchasing new Rights through Tadawul during the Trading Period.

Is it possible Registered Shareholders to lose their eligibility to subscribe even if they have the right to attend the EGM and vote on raising the capital through a rights issue?

Yes, Shareholders lose their right to subscribe if they sell their shares on the day of the EGM or one working day prior thereto.

How does the Subscription take place?

Subscription applications are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the brokers and custodian of shares.

Can an Eligible Person subscribe to more shares than the Rights owned thereby?

An Eligible Person cannot subscribe to more shares than the Rights owned by thereby.

If the Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio in which the shares of the company connected to the Rights are deposited. For example, if a shareholder holds one thousand (1000) shares in the Company (eight hundred (800) shares in portfolio (a) and two hundred (200) shares in portfolio (b), then the rights that will be deposited are: 1.122 rights, as each share is approximately eligible for 1.1236 rights. Therefore, 898 rights will be deposited in portfolio (a) and 224 rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the New Shares be deposited after allocation?

Shares will be deposited in the investment portfolio indicated in the first subscription application form.

Are share certificate holders allowed to subscribe and trade?

Yes, share certificate holders may subscribe, but only after depositing certificates in investment portfolios through Brokers or the Securities Depository Center Company (Edaa), before the end of the Offering Period and providing the necessary documents prior to the end of the Subscription Period.

How can share certificate holders obtain their Rights Issues?

Share certificate holders will receive their Rights Issues in proportion to their ownership, but they will not be deposited because the share certificates are not registered in investment portfolios with brokers and the Securities Depository Center Company ("Edaa") before the start of trading and the Subscription Period. If the procedures for depositing the certificates into the investment portfolio are not completed before the start of trading and the Subscription Period, the Underwriter will sell the shares resulting from those rights during the remaining Offering Period and transfer any amount exceeding the Offering Price (if any) to the Company, which shall retain these amounts until they are claimed by the share certificate holders. The Company must include proof of the existence of these amounts owed to the share certificate holders and the method of claiming them in the announcement pertaining to the distribution of the Compensation Payment (if any) to Eligible Persons.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

When can a Shareholder subscribe for Rights purchased during the Trading Period?

Any time during the Subscription Period (i.e., until the ninth day) after settlement of the purchase of Rights (two business days).

Can the owner of Rights Shares sell or assign the Right after expiry of the Trading Period?

No. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the Rights Shares or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio.

What happens to the Rights that are unsold or unsubscribed for during the Subscription Period?

If the New Shares are not fully subscribed for during the Subscription Period, the remaining New Shares will be offered for subscription through an offering to be organized by the Lead Managers. The amount of compensation (if any) to the Rights holder will be calculated after deducting the subscription value and any other expenses according to the criteria defined by this Prospectus; noting that the investor may not receive any consideration if the sale occurs during the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?

A shareholder registered in the Company's Shareholders Register at the Depository Center after the end of the trading session, on the date of the EGM on Capital Increase, shall have the right to attend the EGM and vote on increasing the Issuer's share capital through a Rights Issue.

When is the share price adjusted as a result of increasing the Issuer's share capital through a Rights Issue?

The share price is adjusted by Tadawul before the start of trading on the day following the EGM.

If an investor buys securities on the date of the EGM, will he/she be eligible for the Rights resulting from the increase of the Issuer's share capital?

Yes, as the investor will be registered in the Company Shareholders Register two business days after the date of the purchase of shares (i.e., at the end of the second trading day following the day of the EGM), bearing in mind that Rights will be granted to all shareholders registered in the Company Shareholders Register at the end of trading session on the second trading day following the date of the EGM. However, he/she may not attend or vote in the EGM for the capital increase.

If an investor has more than one portfolio with more than one broker, how will their Rights be calculated?

The investor's shares will be distributed to their portfolios according to the shareholding percentage held in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest number of Rights.

What are the Trading and Subscription Periods?

Trading in and subscription for the Rights shall commence at the same time, i.e. three (3) working days from the approval of the capital increase by the EGM. However, the subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

Is it possible to subscribe during the weekend?

No.

Can investors, who are not Registered Shareholders, subscribe for the Rights Shares?

Yes. Investors can subscribe for the Rights Shares upon full purchase of Rights through Tadawul during the Trading Period.

Will there be any other fees for the trading in Rights?

The same commissions will be applied to buy and sell transactions as they are for stocks, but without a minimum or maximum commission amount.

Additional support:

- In case of inquiries, please contact the Company at the e-mail (ir@savola.com) or (CGNour@savola.com) for investor inquiries, and (malsamman@savola.com) for media inquiries. For legal reasons, the Company will only be able to provide the information contained herein and will not be able to advise on the merits of issuing rights or even provide financial, tax, legal or investment advice.
- For more information on the terms, conditions and instructions for the subscription, please refer to Section 12 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus and the rest of the information contained herein.

Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus but does not contain all of the information that may be in the interest to Subscribers. Recipients of this Prospectus should read the entire Prospectus before making a decision as to whether or not to invest in the New Shares offered. All terms contained in this Prospectus have been defined in Section 1 ("**Terms and Definitions**") of this Prospectus as well as in other sections.

Company Overview

History and Incorporation

Savola Group Company (hereinafter referred to as the "**Company**" or "**Savola**" or "**Issuer**") was established as a Saudi joint stock company, 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).

The Company's head office is located in Savola Tower, the city of Jeddah, Prince Faisal Ibn Fahd Road, Ashati District, 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333, Kingdom of Saudi Arabia.

Capital

The current share capital of the Company is five billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (5,339,806,840) Saudi Riyals divided into five hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (533,980,684) ordinary shares with a fully paid-up par value of ten (10) Saudi Riyals per share.

Major changes in the Company's Share Capital

- On 25/05/1412H (corresponding to 01/12/1991G), the Company listed and registered one million eight hundred thousand (1,800,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share on the Saudi Stock Exchange ("Tadawul"), of which one million two hundred thousand (1,200,000) ordinary shares were offered for public subscription for a nominal value of one hundred (100) Saudi Riyals per share, representing 66.66% of the Company's share capital. Upon the listing of the Company on Tadawul, its share capital amounted to three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share.
- On 29/11/1416H (corresponding to 17/04/1996G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares to three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each six (6) shares owned by the shareholders registered on the Company's shareholder register.
- On 27/11/1418H (corresponding to 25/03/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares to four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register.
- On 11/09/1419G (corresponding to 25/12/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares to five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the issuance of three million (3,000,000) New Shares, for the purpose of acquiring the shares of shareholders of Alazizia Panda United Company by allocating one (1) share for each six (6) shares in Alazizia Panda United Company.

- On 13/09/1420H (corresponding to 21/12/1999G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) to six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register.
- On 05/05/1424H (corresponding to 05/07/2003G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares to eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each 3.6667 shares owned by the shareholders registered on the Company's shareholder register.
- On 29/03/1425H (corresponding to 18/05/2004G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares to one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus shares for each four (4) shares owned by the shareholders registered on the Company's shareholder register.
- On 09/02/1426H (corresponding to 19/03/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares to one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares with nominal value fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register.
- On 10/06/1426H (corresponding to 16/07/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares to one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each five (5) shares owned by the shareholders registered on the Company's shareholder register.
- On 14/10/1426H (corresponding to 16/11/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares to one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares with a value of four hundred (400) Saudi Riyals per share (representing a nominal value of fifty (50) Saudi Riyals and an issuance premium of three hundred and fifty (350) Saudi Riyals), through the issuance of six million (6,000,000) right issue shares at the rate of one (1) share for each five (5) shares owned by the shareholders registered on the Company's shareholder register.
- On 17/03/1427H (corresponding to 15/04/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares to three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one hundred twenty million (120,000,000) bonus shares.
- On 18/09/1427H (corresponding to 11/10/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares with nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register.

- On 17/03/1429H (corresponding to 25/03/2008G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each three (3) shares owned by the shareholders registered on the Company's shareholder register.
- On 01/01/1435H (corresponding to 04/11/2013G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the issuance of thirty-three million nine hundred eighty thousand eight hundred forty (33,980,840) New Shares as consideration for the acquisition of the shares owned (directly or indirectly) by AlMuhaidib Holding Company in each of Savola Foods Company (representing 10%) and Alazizia Panda Limited Company (representing 18.6%).
- On [•]H (corresponding to [•]G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares to 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 through a rights issue.

Substantial Shareholders

The Substantial Shareholders of the Company, who each owns 5% or more of the Company's share capital are Abdullah Mohammed Abdullah AlRabiah, Abdulkader AlMuhaidib and Sons Company, Assila Investments Company and AlMuhaidib Holding Company. The table below sets out shareholding of Substantial Shareholders as of the date of this Prospectus:

Table (1.6): Shareholding of Substantial Shareholders in the Company

Shareholder	Pre-Offering Ownership (Direct)		Post-Offering Ownership (Direct)*	
	Number of Shares	Ownership	Number of Shares	Ownership
Assila Investments Company (Closed JSC)	60,000,000	11.236%	127,418,169	11.236%
Abdulkader AlMuhaidib and Sons Company (Closed JSC)	43,966,110	8.234%	93,368,021	8.234%
Abdullah Mohammed Abdullah AlRabiah	43,892,500	8.22%	93,211,700	8.22%
AlMuhaidib Holding Company	33,980,684	6.364%	72,162,609	6.364%

Source: Tadawul's and the Company's websites as at 05/12/1445H (corresponding to 11/06/2024G).

* Assuming all Substantial Shareholders fully subscribe to their shares in the Rights Issue.

N.B.: It should be noted that some Substantial Shareholders, namely Assila Investments Company (Closed JSC), Abdulkader AlMuhaidib and Sons Company (Closed JSC), and AlMuhaidib Holding Company, have committed to subscribing to their shares of the Rights Issue shares. Additionally, other shareholders, including but not limited to, the General Organization for Social Insurance and its subsidiaries, have committed to subscribing to their share of the Rights Issue shares. The total Rights Issue shares that shareholders (including Substantial Shareholders and non-Substantial Shareholders) have committed to subscribe to represent 48% of the total Offering.

Summary of Company's activities and products

The Company'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.

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

a- Head office activities (oversight and management of other units of the Company 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 scope of 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.

The Company 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.

Company's Vision, Mission, Strategy, and Values

Company Mission

- Added value for investors, employees and society at large.
- Steady strides built on values.
- Leadership in job creation in the food and retail sectors.
- Corporate Governance.
- Social responsibility.

Company Strategy

The Company

- Capacity building.
- Effective allocation and rotation of capital.
- Complementary investment opportunities.
- Performance monitoring and effective portfolio management.
- Inorganic growth.

Savola Foods Company

- Diversifying the existing product portfolio.
- Expanding into fast-growing product categories.
- Continuous evaluation of the business portfolio.
- Leveraging the distribution network.
- Customer centricity and B2B optimization.

Panda Retail Company

- Expanding the Company's presence in outlets and sales channels.
- Creating value through data analysis and innovation.
- Driving commercial and operational excellence.

Al Kabeer Group

- Growth based on product innovation.
- Enhancing the "Al Kabeer" brand identity.
- Key focus areas.
- Strengthening governance and localization mechanisms in Saudi Arabia.

Summary of the Strengths and Competitive Advantages

The Company's management recognizes that the key competitive advantages and core strengths of the Company and its Subsidiaries are as follows:

The Company

- Market leading position.
- Diversified food and retail business.
- Solid long-standing brands.
- Extensive manufacturing, and distribution networks across geographies.
- Continued focus on investment in development of human capital.
- Skilled and experienced management team.

Savola Foods Company

- Established brands with leading market share.
- Wide logistics and distribution network.
- Strengths in Sourcing and Production.
- Diversified geographical footprint across the MENAT region.
- Established R&D and consistent innovations.
- Resilient business model with consistent margin profile.
- Strengthening B2B offering under Savola Professional.
- Experienced and highly qualified management team.

Panda Retail Company

- Leading grocery retailer in the Kingdom with a large and strong customer base.
- Expanding branch network and widespread national coverage.
- Well-established brand equity with a wide reputation and outreach.
- Experience and expertise in store selection and development.
- Unique infrastructure and distribution network.
- Data management, Innovative promotional techniques.
- Seasoned and accomplished management team.
- Driving Sector factors.

Al Kabeer Group

- Long-standing and trusted brand name.
- Regional presence and distribution network reach.
- Wide product portfolio and innovations encompassing frozen food products.

Market Overview

The MENA region is considered a market rich in opportunities due to its large population of 558 million people (7% of the world's population) and its strong economic performance (the nominal GDP in the MENA region recorded a CAGR of 4.4% over five years between 2018G and 2023G, significantly higher than the global average of 3.9%). Additionally, the region's economic and demographic diversity shapes the market landscape. New opportunities arise for products and services that cater to increasingly busy lifestyles. These opportunities stem from economic diversification efforts undertaken by oil-rich countries, which also focus on sectors such as tourism and rapid urban expansion. They are supported by favorable demographic shifts, including an increase in the youth population and workforce participation, as well as the growth of dual-income households with increased female economic participation. This regional development is reflected in three prevalent trends that shape consumer demand in the food and grocery trade sector: firstly, consumers' inclination towards convenient products and services; secondly, demand for value-for-money offerings; and thirdly, to some extent, demand for healthy choices.

Saudi Arabia is considered one of the most influential countries in shaping these trends and developments. It is the economic powerhouse of the region, accounting for 23.1% of the MENA's GDP. It is also the largest consumer market among the Gulf Cooperation Council (GCC) countries, with a population of 32.7 million in 2023G. The United Arab Emirates represented only 1.7% of the total population of the MENA region in 2023G, but it accounted for 10.9% of the region's GDP, while Egypt is the largest consumer market in the region with a population of 104.3 million (18.7% of the MENA's total population).

Lower-income consumer segments in Saudi Arabia and the UAE have become price-focused (having been affected by cost-of-living inflation), which supports demand for affordable basic commodities such as sunflower oil and sugar, as well as value-for-money products and shopping options (typically available in supermarkets and hypermarkets rather than traditional retail stores). Conversely, growing health concerns have led to the expansion of specialty product markets such as olive oil and organic foods. These concerns have also supported demand for poultry (processed and unprocessed) as a healthier option compared to red meat. Additionally, young consumers have shown interest in packaged food categories they typically perceive as healthy, including nuts, snack bars, and to some extent, pulses. Processed frozen foods and healthy snacks also benefit from increased lifestyle busyness and disposable income. Demand for these products is further boosted by the influx of expatriates, higher employment rates among young generations, and increased female participation in the workforce. This trend also contributes to supporting another sector, namely the consumer food service sector, especially fast-food restaurants that offer convenient meal solutions suitable for both busy residents and increasing numbers of tourists.

On the other hand, the food market in Egypt relies on its large and growing population. However, Egypt faces numerous economic challenges, most notably high inflation and a depreciation of the local currency. These challenges support consumer savings trends, with a focus on basic commodities and cheaper options such as blended oils in the food oil category.

Savola Group operates in various food categories that cater to these diverse trends. These categories include cooking oils, vegetable ghee and butter, sugar and sweeteners, pasta, frozen foods, healthy snacks, spices, and pulses. All of these categories have shown strong growth during the review period, and this positive growth is expected to continue in the coming years. The Group has also succeeded in entering the B2B sector, primarily supplying cooking oils, solid fats, and sugar to production companies and channels in the hotel, restaurant, and cafe sector (HoReCa), which use these products in their manufacturing processes. Additionally, local production facilities in Saudi Arabia and Egypt help mitigate the impact of inflation and strict import policies (in Egypt), benefiting from the growing support for local production (e.g., the "Made in Saudi Arabia" campaign).

Summary of Financial Information

The financial information and key performance indicators set out below should be read in conjunction with the Company's audited consolidated financial statements for the Financial Years ended 31 December 2021G, 2022G and 2023G and accompanying notes, which have been prepared in accordance with International Financial Reporting Standards as adopted in Saudi Arabia and have been audited by the Auditors.

Table (1.7): Summary of financial information, including profit or loss and other comprehensive income for the Financial Years ended 31 December 2021G, 2022G and 2023G

SAR (million)	FY2021G (Audited)	FY2022G (Audited)	FY2023G (Audited)	YoY 2021G-2022G	YoY 2022G-2023G	CAGR 2021G-2023G
Revenue	24,669	28,055	26,818	13,7%	(4.4%)	4.3%
Gross Profit	4,479	4,874	5,443	8,8%	11.7%	10.2%
Operating Activities Results	1,016	1,668	2,331	64.1%	39.8%	51.5%
Profit Before Zakat and Income Tax	525	1,033	1,299	96.9%	25.7%	57.3%
Annual Profit	396	865	1,070	118.3%	23.8%	64.4%
(Loss) / Other Comprehensive Income for the Year	43	(459)	(314)	(1169.5%)	(31.4%)	N/A
Total Other Comprehensive Income for the Year	439	406	756	(7.5%)	86.1%	31.2%
Key Performance Indicators						
Percentage of Revenue					**Percentage Points**	
Total Profit (1)	18.2%	17.4%	20.3%	(0.8)	2.9	2.1
Operating Profit (2)	4.1%	5.9%	8.7%	1.8	2.8	4.6
Net Annual Profit (3)	1.6%	3.1%	4.0%	1.5	0.9	2.4

Source: Audited consolidated financial statements for the years ended 31 December 2022G and 2023G.

Key Performance Indicators: Management Information for the years ended 31 December 2021G, 2022G, and 2023G.

(1) Gross Profit Margin is defined as total profit divided by revenue, expressed as a percentage.

(2) Operating Profit Margin is defined as operating profit divided by revenue, expressed as a percentage.

(3) Net Profit Margin is defined as annual profit divided by revenue, expressed as a percentage.

Table (1.8): Summary financial information from the consolidated financial statements for the Financial Years ended 31 December 2021G, 2022G and 2023G

SAR (million)	Financial Year		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Non-current assets	20,605	20,111	20,416
Current assets	7,941	9,454	9,546
Total assets	**28,546**	**29,565**	**29,963**
Total equity	**9,092**	**9,317**	**9,535**
Non-current liabilities	9,996	8,603	9,099
Current liabilities	9,458	11,644	11,329
Total liabilities	**19,454**	**20,248**	**20,428**
Total equity and liabilities	**28,546**	**29,565**	**29,963**
Key Performance Indicators			
Accounts receivable turnover (days) (1)	23	23	26
Inventory turnover (days) (2)	32	30	36
Accounts payable turnover (days) (3)	54	59	69
Cash turnover (days) (4)	1	(6)	(7)
Return on assets (5)	1.4%	2.9%	3.6%
Return on equity (6)	4.4%	9.3%	11.2%
Debt to equity ratio (7)	0.93	0.87	0.90

Source: Audited consolidated financial statements for the years ended 31 December 2022G and 2023G.

Key Performance Indicators: Management Information for the years ended 31 December 2021G, 2022G, and 2023G.

(1) Accounts receivable turnover (days) is calculated based on the total group revenue for the year.

(2) Inventory turnover (days) is calculated based on the cost of goods sold during the year.

(3) Accounts payable turnover (days) is calculated based on the cost of purchases during the year.

(4) Cash turnover (days) is calculated based on the total turnover of accounts receivable, inventory turnover, and accounts payable turnover.

(5) Return on assets is calculated as follows: Net profit for the year / Total assets at the end of the year.

(6) Return on equity is calculated as follows: Net profit for the year / Total equity at the end of the year.

(7) Debt to equity ratio is calculated as follows: Loans and borrowings / Total equity at the end of the year.

Table (1.9): Summary of financial information from the audited cash flow statement for the Financial Years ended 31 December 2021G, 2022G, and 2023G.

SAR (million)	Financial Year		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Net cash provided by operating activities	864	1,029	1,720
Net cash used in investing activities	(1,000)	(91)	(496)
Net cash provided by / (used in) financing activities	160	(681)	(563)
Net change in cash and cash equivalents	**24**	**257**	**661**
Effect of exchange rate changes on cash and cash equivalents	(2)	(175)	(129)
Cash and cash equivalents at the beginning of the year	496	519	601
Cash and cash equivalents at December 31	**519**	**601**	**1,132**

Source: Audited consolidated financial statements for the years ended 31 December 2022G and 2023G.

SUMMARY OF RISK FACTORS

In addition to all information contained in this Prospectus, all prospective investors should carefully consider the risk factors described below before deciding whether to subscribe for the Rights Shares, as detailed in Section 2 ("**Risk Factors**").

There are a number of risks associated with the Rights Issue, summarized as follows:

- **Risks Related to the Group's Activity and Operations**
  - Risks of Failure to Implement the Group's Strategy
  - Risks Related to the Holding Structure of the Group
  - Risks Related to the Overall Decline in the Levels of Consumer Spending on the Group's Products and Failure to Develop Successful Innovative Products
  - Risks Related to the Concentration of Transactions with Some Key Suppliers
  - Risks Related to the Impact of Increasing Costs and Operating Expenses on the Group's Businesses
  - Risks Associated with Permits, Licenses and Approvals Necessary for the Group's Businesses
  - Risks Related to the Group's Operations Outside of the GCC and Some Levant States
  - Risks Related to the Seasonality of Revenues
  - Risks Related to Patent Infringement Actions
  - Risks Related to Protecting Certain Trademarks on which the Group Relies
  - Risks Related to Maintaining the Reputation of the Group and its Brands
  - Risks Related to the Group's Related Party Transactions
  - Risks Related to the Outbreak of Infectious Diseases or other Serious Public Health Concerns
  - Risks Related to the Group's Reliance on its Senior Management and Key Personnel
  - Risks Related to the Adequacy of Insurance Coverage
  - Risks Related to Interruptions in the Group's Information Technology Systems
  - Risks Related to Litigation Involving the Group
  - Risks Related to Taxes and Zakat
  - Risks Related to the Potential Misconduct of its Third-Party Agents
  - Risks Related to the Group's Current Financing Arrangements


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Tables and Figures

1.
TERMS AND DEFINITIONS

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1. TERMS AND DEFINITIONS

The following table provides a list of terms and definitions as used in this Prospectus:

Table (1.1): Terms and Definitions

Term	Definition
Savola or Company	Savola Group Company – Saudi Joint Stock Company
Management or Senior Management	Management team of Savola Group Company.
Board or Board of Directors	Company's Board of Directors, whose names are stated in Page (iv).
Kingdom or KSA	Kingdom of Saudi Arabia.
Government	Government of the Kingdom of Saudi Arabia.
Share	A share of the Company with a fully paid nominal value of ten (10) Saudi Riyals.
Current Shares	Five hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (533,980,684) ordinary shares with a nominal value of ten (10) Saudi Riyals per share, paid in full.
Rights	Tradable securities that grant their holder the right to subscribe to New Shares upon approval of the capital increase. It is an acquired right for all Registered Shareholders, and each right gives its holder the right to subscribe to one New Shares at the Offering Price. The Rights shall be deposited subsequent to the Extraordinary General Meeting on the capital increase on [•]/[•]/[•]H (corresponding to [•]/[•]/[•]G). These Rights will appear in the Registered Shareholders' accounts under a new symbol. Registered Shareholders will be notified of the deposit of Rights in their portfolios through an announcement on the Tadawul website, as well as through the Tadawulaty service provided by the Securities Depository Center Company (Edaa) and SMS messages sent through the brokerages.
New Shares or Rights Shares	Six hundred million (600,000,000) new ordinary shares that will be offered at an Offering Price of ten (SAR 10) Saudi Riyals per share with a nominal value of ten (SAR 10) Saudi riyals by way of a Rights Issue representing an increase in the Company's capital by (112.36%) in order for the Company's capital to become eleven billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (11,339,806,840) Saudi Riyals, divided into one billion, one hundred and thirty-three million, nine hundred and eighty thousand, six hundred and eighty-four (1,133,980,684) ordinary shares.
Tadawul	Automated system for trading securities.
Financial Statements	The Company's audited financial statements for the Financial Years ended 31 December 2021G, 2022G, 2023G, in addition to the notes thereto, as prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements for the Financial Year ended 31 December 2021G, 2022G, 2023G, have been audited by KPMG.
Financial Advisor	Riyad Capital.
Lead Managers	Riyad Capital and ANB Capital.
Underwriters	Riyad Capital and ANB Capital.
Legal Advisor to the Issuer	Baker McKenzie Law Firm (formerly Abdulaziz bin Ibrahim Alajlan & Partners, Lawyers and Legal Advisors).
Legal Advisor to the Financial Advisor, Lead Managers and Underwriters	Latham & Watkins LLP.
Market Study Consultant	Euromonitor International Limited.
Advisors	The Company's advisors in relation to the Offering whose names appear on Pages (vii), (viii) and (ix).
Independent Auditor	KPMG Professional Services (closed joint stock).

Term	Definition
Investor or Subscriber	Each Eligible Person subscribing or applying for subscription to the Rights according to subscription terms and conditions.
Bylaws	The Company's Bylaws.
Offering	Offering New Shares or Rights Shares.
Offering Price	Ten (10) Saudi Riyals per share.
Rules on the Offer of Securities and Continuing Obligations	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).
Listing Rules	Listing Rules issued by the Saudi Stock Exchange ("**Tadawul**") and approved by virtue of CMA Board Resolution No. 3-123-2017 dated 09/4/1439H (corresponding to 27/12/2017G), as amended by CMA Board Resolution No. 1-104- 2019 dated 01/02/1441H (corresponding to 30/09/2019G), as amended by CMA Board Resolution No. 1-108-2022 dated 23/03/1444H (corresponding to 19/10/2022G).
CML	Capital Market Law issued under Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
Net Proceeds or Net Proceed Offering	Net Proceeds of the Offering after deducting offering expenses.
Prospectus	This document prepared by the Company in relation to the Rights Issue.
CMA	The Capital Market Authority of the Kingdom of Saudi Arabia.
Saudi Exchange (Tadawul)	The Saudi Exchange Company (Tadawul), established pursuant to Council of Ministers Resolution dated 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Capital Market Law, a closed Saudi Joint Stock company, and the only entity authorized to operate as a stock exchange in the Kingdom of Saudi Arabia, on which securities are listed and traded.
Saudi Stock Exchange, Stock Exchange, Stock Market, Exchange, or Tadawul	Saudi Exchange for trading of securities.
Substantial Shareholders	Shareholders owning 5% or more of the Company's total shares. As at the date of this Prospectus, the Company's Substantial Shareholders are: (see table below) Source: Tadawul's and the Company's websites as at 05/12/1445H (corresponding to 11/06/2024G).
Extraordinary General Assembly or EGM	Extraordinary General Assembly Meeting convened in accordance with the Company's Bylaws.

Shareholder	Pre-Offering Ownership (Direct)		Post-Offering Ownership (Direct)*	
	Number of Shares	Ownership	Number of Shares	Ownership
Assila Investments Company (Closed JSC)	60,000,000	11.236%	127,418,169	11.236%
Abdulkader AlMuhaidib and Sons Company (Closed JSC)	43,966,110	8.234%	93,368,021	8.234%
Abdullah Mohammed Abdullah AlRabiah	43,892,500	8.22%	93,211,700	8.22%
AlMuhaidib Holding Company	33,980,684	6.364%	72,162,609	6.364%

Source: Tadawul's and the Company's websites as at 05/12/1445H (corresponding to 11/06/2024G).

Term	Definition
EGM on Capital Increase	EGM held to approve increase of the Company's share capital from five billion three hundred and thirty-nine million, eight hundred and six thousand eight hundred and forty (5,339,806,840) Saudi Riyals divided into five hundred and thirty-three million nine hundred and eighty thousand six hundred and eighty-four (533,980,684) ordinary shares to eleven billion three hundred and thirty-nine million eight hundred and six thousand eight hundred and forty (11,339,806,840) Saudi Riyals, divided into one billion, one hundred and thirty-three million, nine hundred and eighty thousand, six hundred and eighty-four (1,133,980,684) ordinary shares, through a Rights Issue.
General Assembly	General Assembly Meeting convened in accordance with the Company's Bylaws.
Ordinary General Assembly	Ordinary General Assembly Meeting convened in accordance with the Company's Bylaws.
Corporate Governance Regulations	Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), in accordance with the Companies Law promulgated by Royal Decree No. (M/3) dated 28/1/1437H, as amended by CMA Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G).
Related Parties	Means, under the Rules on the Offer of Securities and Continuing Obligations and the Glossary of terms used in the regulations of the Capital Market Authority as issued by the CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) and amended by CMA Board Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), the following: 1- Affiliates of the Issuer, except for companies wholly owned by the Issuer. 2- Substantial Shareholders of the Issuer. 3- Board members and senior executives of the Issuer. 4- Board members of the Affiliates of the Issuer. 5- Board members and senior executives of the Issuer's Substantial Shareholders. 6- Any relatives* of persons referred to in (1, 2, 3, 4 or 5) above. 7- Any other company or facility controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above. * "Relatives" shall mean fathers, mothers, husbands, wives and children.
Companies Law	Saudi Companies' Law promulgated by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G).
Ministry of Commerce	Ministry of Commerce in the Kingdom of Saudi Arabia.
MoMRAH	Ministry of Municipal, Rural Affairs and Housing.
The Public	Means, under the Rules on the Offer of Securities and Continuing Obligations and the Glossary of terms used in the regulations of the Capital Market Authority as issued by the CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G), as amended by CMA Board Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G), any person other than the following: 1- Issuer affiliates. 2- Substantial Shareholders of the Issuer. 3- Board members and senior executives of the Issuer. 4- Board members and senior executives Subsidiary with the Issuer. 5- Board members and senior executives of the Issuer's Substantial Shareholders. 6- Any relatives of persons referred to in (1, 2, 3, 4 or 5) above. 7- Any company controlled by any persons referred to in (1, 2, 3, 4, 5 or 6) above. 8- Persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.
Underwriting Agreement	The agreement concluded between the Company and the Underwriters, Riyad Capital, and ANB Capital.
International Financial Reporting Standards (IFRS)	A set of accounting standards and interpretations thereof issued by the International Financial Reporting Standards Board.
Eligible Persons	All Rights holders, whether Registered Shareholders or those who have purchased the Rights during the Trading Period.

Term	Definition
Financial Year (FY)	The period of time for presenting the result of the Company's activities and whose beginning and end are specified in the articles of association or Bylaws of the concerned company. Noting that the Company's Financial Year ends on 31 December of each Gregorian year.
FY2021G	The period starting on 1 January 2021G and ending on 31 December 2021G.
FY2022G	The period starting on 1 January 2022G and ending on 31 December 2022G.
FY2023G	The period starting on 1 January 2023G and ending on 31 December 2023G.
Localization/ Saudization	Replacement of expatriate workers by Saudi citizens in private sector jobs.
SAR	The official currency of the Kingdom of Saudi Arabia.
Saudi Organization for Certified Public Accountants (SOCPA)	Saudi Organization for Certified Public Accountants in the Kingdom of Saudi Arabia
General Organization for Social Insurance (GOSI)	General Organization for Social Insurance in the Kingdom of Saudi Arabia
Registered Shareholders	Shareholders recorded in the Company's Register as of the close of trading on the date of the EGM on Capital Increase, and Shareholders registered in the Company's Shareholders Register held with Depository Center at the close of the second trading day following the date of the EGM on Capital Increase dated [•]H (corresponding to [•]G).
Allocation Date	The date on which final allocation will be announced no later than [•]H (corresponding to [•]G).
Trading Period	From [•]H (corresponding to [•]G) to the end of trading on [•]H (corresponding to [•]G).
Subscription Period	From [•]H (corresponding to [•]G) to the end of trading on [•]H (corresponding to [•]G).
Risk Factors	A set of potential factors that should be understood and hedged against before making a decision as to whether or not to trade in or subscribe for the Rights Shares.
Unregistered Shareholders	Company shareholders whose names do not appear in the Company's Shareholders Register at the close of trading on the day of the EGM.
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.
Labor Law	The Saudi Labor Law issued by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), as amended.
H	Hijri calendar.
G	Gregorian calendar.
Securities Depository Center Company/Edaa	A closed joint stock company wholly owned by the Saudi Stock Exchange (Tadawul) and established in 2016G under the Saudi Companies' Law issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015G).
Vision 2030	The national strategic economic program announced by the Government of the Kingdom of Saudi Arabia in 2016G, which aims to reduce dependence on oil and the petrochemical industry, diversify the Saudi economy and develop public services.
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.
Right Indicative Value	The difference between the market value of the Company's shares and the Offering Price during the Trading Period.

Term	Definition
Right Trading Price	The price at which the Right is traded, as determined by supply and demand, which therefore may differ from the indicative value of the Right.
Rump Shares	Remaining shares that were not subscribed for during the Offering Period.
Rump Offering	Shares unsubscribed by Eligible Persons shall be offered to Institutional Investors by offering them during the Rump Offering Period.
Rump Offering Period	The period starting from ten in the morning on [•]H (corresponding to [•]/2024G) until five in the evening of the next day on [•]H (corresponding to [•]/2024G).
Rights Issue Ratio	The result of dividing the number of Company New Shares by the number of Current Shares.
Person	Any natural person.
Listing	Listing securities on the primary market or - where the context allows - submitting a listing application to Tadawul.
New Investors	Retail and institutional investors - with the exception of Registered Shareholders - who have purchased the Rights Issue during the Trading Period.
Brokers	Market institutions licensed by the Capital Market Authority to engage in the activity of dealing in securities in the capacity of agent.
Institutional Investors	Includes a number of institutions, as follows: 1- Government entities and Government owned companies, whether investing directly or through a portfolio manager, or any international entity recognized by the CMA, the Exchange or any other stock exchange recognized by CMA or the Depository Center. 2- Public investment funds established in the Kingdom, in addition to private funds that invest in securities listed on the Saudi Stock Exchange if the terms and conditions of the fund so allow, in compliance with the provisions and restrictions stipulated in the Investment Funds Regulation. 3- Persons authorized to deal in securities in the capacity of principal, in compliance with financial solvency requirements. 4- Customers of a person authorized to engage in management business, provided that such authorized person has been appointed on terms that allow taking decisions regarding acceptance of participation in the offering and investment in the Saudi Stock Exchange on behalf of the customer without the need to obtain the prior approval thereof. 5- Juridical persons that may open an investment account in the Kingdom and an account with the Depository Center, taking into consideration the rules and regulations that apply on investments by listed companies in securities provided that the participation by such company shall not cause any conflict of interest. 6- GCC Investors with Legal Personality, including companies and funds established in the GCC countries.
Shareholder	Owner or holder of shares as of any specified time.
GCC	The Gulf Cooperation Council.
Compound Annual Growth Rate (CAGR)	A method used to calculate the growth rate of a particular item over a specified period of time.
Coronavirus or Covid-19	A contagious viral disease known as the Coronavirus and abbreviated "**Covid-19**", which began spread in most countries of the world, including the Kingdom of Saudi Arabia at the beginning of 2020G, classified as a pandemic by the World Health Organization.
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.
Procedures and Instructions Related to Listed Companies with Accumulated Losses amounting to 20% or more of their Share Capital	Rules governing companies with accumulated losses as issued by the CMA's Board pursuant to Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) and amended by CMA Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G).

Term	Definition
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	Rules governing investment in securities by non-Saudis residing outside the Kingdom as issued by the CMA Board pursuant to Resolution 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015 AD) and amended by Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G).
Nitaqat	Program established by the Ministry of Human Resources and Social Development to motivate establishments to employ Saudis. It was approved by Resolution No. 4040 dated 12/01/1432H (corresponding to 10/09//2011G) based on Council of Ministers Resolution No. 50 dated 13/05/1415H (corresponding to 27/10/1994G). The Program evaluates the performance of the facility on the basis of specific ranges (platinum, green, yellow and red) according to the activity and sector under which the company is registered. The Nitaqat Program was amended pursuant to Resolution No. 63717 dated 29/03/1441H (corresponding to 26/11/2019G), whereby the yellow category was canceled from the Nitaqat Program and all facilities in the yellow category transferred to the red category, with red category criteria applied thereto in compliance with the Nitaqat Program Manual.
The Levant	Consists of Syria, Palestine, Jordan, and Lebanon.
Managed Investments	The companies that are co-managed by the Company and whose operations the Company has a direct impact on. These companies include Savola Foods, Panda Retail, and Al Kabeer.
Non-Managed Investments	Companies other than those categorized as Managed Investments.
Related Parties	The Company's material Subsidiaries which include: • Savola Foods Company. • Panda Retail. • Savola Industrial Investments. • Afia International. • United Sugar Company. For further information on the Company's material Subsidiaries, please refer to subsection 11.4 ("**Company Subsidiaries**") of Section 11 ("**Legal Information**") of this Prospectus.

2.
RISK FACTORS

2. RISK FACTORS

Prior to making any decision to subscribe to the New Shares or Rights Shares, prospective investors should carefully study all the information contained in this Prospectus, including in particular the risk factors listed below. The risk factors described in this Section are not inclusive of all the risks that the Group may encounter, as there could be other risks currently unknown to, or considered immaterial by, the Group, which may adversely impact its operations. The Group's business, financial position, results of operations, cash flows, and prospects could be adversely materially affected if any of the following risks materialize.

The Board Members 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 Shareholders and prospective investors as of the date of this Prospectus, except as disclosed in this Section. Prospective investors wishing to subscribe to the New Shares or Rights Shares should conduct an assessment of the risks associated with said investment, as well as the benefits thereof in general, and the economic and regulatory environment in which the Group operates in particular.

Investing in the New Shares or Rights Shares is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment. Prospective investors who have doubts about subscription in the Rights Shares should consult a financial adviser licensed by the CMA for advice on such investments.

In the event that any of the risks that the Group currently believes to be material do occur, or if any other risks that the Group fails to identify or does not currently consider to be material do occur, the market value of the Shares could decrease and prospective investors could lose all or part of their investment.

The risks described below are presented in an order that does not reflect their importance or their anticipated effect on the Group. Additional unknown risks or those deemed immaterial may have the impacts set forth in this Prospectus.

2.1 Risks Related to the Group's Activity and Operations

2.1.1 Risks of Failure to Implement the Strategy

The Group's ability to increase revenues and improve profitability depends on the extent to which it successfully implements its strategy. The Group's strategy depends on several factors, including increasing the Group's market share in certain major business sectors in the local and international markets where it operates, especially by meeting the growing demand for food products, expanding its services to target new growth areas, continuing to improve its sales model and customer experience, increasing the Group's share capital productivity and finding the best solutions to reduce operational costs (for more information about the Company's strategy, please refer to Subsection 4.6 ("**Company Strategy**") of Section 4 ("**Overview of the Company and the Nature of its Business**") of this Prospectus).

The Group's ability to implement its current strategy, including the plan to distribute its entire 34.52% stake in Almarai Company to its Eligible Shareholders, is subject to several factors (such as the approval of the relevant regulatory authorities and the General Assembly of the Company's shareholders), some of which are outside its control. If the Group fails to implement its strategy or fails to manage its growth strategy for any reason, this will have a negative and material impact on the Group's reputation, business, result of operations, financial position, and prospects.

There is no guarantee that the Group's successful implementation of its strategy will lead to better operational results. It is worth noting that Executive Management will review and evaluate the business strategy together with the Board of Directors on a regular and periodic basis. Accordingly, the Group may decide to change or suspend some aspects of its business strategy, or to adopt alternative or additional strategies as required by the Group's operating environment, competitive position, or other factors or events. In the event that the Group fails to implement any part of its strategy for any reason, this will have a negative and material impact on the Group's business, results of operations, financial position and prospects (for more information about the Company's strategy, please refer to Subsection 4.6 ("**Company Strategy**") of Section 4 ("**Overview of the Company and the Nature of its Business**") of this Prospectus).

In addition to the strategic plans of each of the Group's companies, Management intends to seek other investment opportunities. Accordingly, the Group's investment strategy depends on the ability of Management to successfully identify attractive investment opportunities. The Group will face competition over investment opportunities from, for example, public and private investment funds and/or strategic buyers. Many of these competitors may have pre-existing relationships with the targets, be substantially larger and have greater financial resources than are available to the Group. The Group cannot guarantee that it will be able to identify and make investments that are consistent with the Group's investment objectives, or generate attractive returns for its shareholders, or not be affected by competitive pressures for investment opportunities.

2.1.2 Risks Related to the Holding Structure of the Group

The Group is a holding Group with no significant operations of its own. The Group is dependent on the results of the underlying operations of its consolidated businesses, equity-accounted investees ("**EAI**") and receives dividends from its investments. Consolidated businesses include SFC, Panda, Al Kabeer, Herfy, and Matoun. EAI include Almarai, Kinan, USCE and Intaj (please refer to Subsection 4.2.1 ("**Managed Investments**") and Subsection 4.2.2 ("**Non-Managed Investments**") of Section ("**Overview of the Company and the Nature of its Business**") of this Prospectus). The Group also has disclosed quoted and unquoted investments reported at fair value through other comprehensive income (FVOCI), which include Tadawul listed and unlisted companies and investments at fair value through profit or loss (FVTPL).

In relation to EAI, the Group relies on the management team of each of these companies to generate profits and distribute dividends to the Group. Consequently, any decline in such profits or the companies' ability or willingness to pay dividends may have a material adverse effect on the Group's financial position and earnings. It is worth noting that the carrying value of the Group's EAI amounted to SAR 8,986,236,000, SAR 8,942,646,000 and SAR 9,309,103,000 as of 31 December 2021G, 2022G and 2023G, respectively.

In relation to FVOCI and FVTPL investments, the Group is exposed to equity securities price risk in relation to these investments. It is worth noting that the carrying amount of the Group's FVOCI investments amounted to SAR 475,425,000, SAR 104,428,000 and SAR 98,068,000 as of 31 December 2021G, 2022G and 2023G, respectively, while the carrying amount of the Group's FVTPL investments amounted to SAR 27,069,000, SAR 43,448,000 and SAR 22,871,000 as of 31 December 2021G, 2022G and 2023G, respectively. Therefore, any adverse impact on the market value of these investments may have a material adverse impact on the group's financial position and profits.

2.1.3 Risks Related to the Overall Decline in the Levels of Consumer Spending on the Group's Products and Failure to Develop Successful Innovative Products

A portion of the Group's revenues depends on the volumes and prices of product and commodity sales to customers of the Group's companies, including the companies in which it is invested. Accordingly, the success of the Group is partially subject to general risks related to the performance of wholesale and retail sectors as well as the food services sector. The food manufacturing and processing industry is considered to be a cyclical industry and its underlying sectors are susceptible to volatile levels of supply and demand and to changes in consumer reaction to changes in the macro-economic environment and other input prices. Such reactions are possibly influenced by the general macro-economic conditions related to levels of disposable income, tax implementations (including VAT, which rose from 5% to 15% on 1 July 2020G), consumer spending (including discretionary spending on foodstuffs and other products), the general confidence in the economy, changes in consumer preferences and demographics. If the Group and its investee companies are unable to respond to market changes, the Group's business, results of operations, financial position and prospects would be negatively and materially affected.

In addition, the success of the Group's business, including Non-Managed Investments depends on the continued popularity of the range of the Group's products and offers through its ability to predict, identify and interpret demand—anticipating the changing tastes and dietary habits of consumers and introducing successful new products to meet their needs. Successfully introducing innovative products that reflect consumers' preferences on a regular basis is important to the Group's ability to maintain its level of sales. As a result, the future degree of market acceptance of any of the Group's new products, which may be accompanied by significant levels of promotional expenditures, is likely to have a material impact on the Group's business, results of operations, financial position and prospects.

2.1.4 Risks Related to the Concentration of Transactions with Some Key Suppliers

The Group's investee companies rely on domestic and international sources for purchasing raw materials. The Group faces risks relating to commodities and raw materials price volatility in the local and international markets where it operates (for more information about Key Supplier Agreements, please refer to Subsection 11.5.2 ("**Agreements Related to Key Suppliers**") of Section 11 ("**Legal Information**") of this Prospectus). The Group's food processing business operates through multiple food suppliers. In particular, the Group's top 10 food suppliers as of 31 December 2023G (identified based on purchases through the year ended 31 December 2023G) represent more than 35% of the Group's total purchases (refers to the total inventories consumed and/or sold which includes the costs of finished goods, raw materials consumed, and packaging for the year ended 31 December 2023G).

It may be difficult for the Group to ensure the continuity of supply at all times and that its business will not be affected as a result of the absence of a contract or agreement with some key suppliers whom the Group transacts with on a purchase order basis. It's worth noting that certain short-term supply agreements lack clauses providing essential ways of protection for the Group, such as product quality, inspections, liability for product defects, and compensation from the supplier to the Group. In addition to falling below optimal standards in protecting the Group's interests, the absence of these provisions may also lead to uncertainty and disputes between parties in the future. If the Group does not maintain its relationships with its key suppliers, whom it has entered with into long-term agreements, or its current privileges provided by these suppliers, this would have a material and adverse impact on the Group's business, results of operations, financial position and prospects. As such, the Group may not be able to meet the requirements of its customers and continue to sell them the products and brands they are accustomed to. The Group's business and relationship with its customers would be negatively affected, if any of these key suppliers ceases their businesses with the Group in the future, or switch to other companies, or in cases any changes are made in strategy, etc.; all of which may have a material and adverse effect on the Group's business, results of operations, financial position, and prospects.

2.1.5 Risks Related to the Impact of Increasing Costs and Operating Expenses on the Group's Business

The operating expenses of the Group, or of its investee companies, could increase as a result of a number of factors (for more information about the Group's financial and operational performance, please refer to Section 7 ("**Management Discussion and Analysis of Financial Position and Operating Results**") of this Prospectus), particularly increases in the costs of raw materials, indirect costs (such as packaging), salaries and employee related costs. During the financial years ended 31 December 2021G, 2022G and 2023G, the most material operating expenses of the Group were inventories consumed and/or sold, salaries and employee related expenses across all functions, which amounted to SAR 20,777,683,000, SAR 23,889,069,000, and SAR 22,290,309,000, representing 86%, 88%, and 88% of the Group's total operating expenses incurred during the financial years ended 31 December 2021G, 2022G and 2023G, respectively.

The Group's foreign operations in Iran, Sudan, and Turkey are subject to hyperinflation, and the disclosed amounts for local operations have been adjusted in accordance with International Accounting Standard 29 ("IAS 29"). Based on the consolidated financial statements, the official statistics published for Iran, Sudan, and Turkey were used by the Auditor to estimate the accounting impact of hyperinflation recorded during 2021G – 2023G. The main effects on the Group's consolidated financial statements as a result of hyperinflation accounting (which include indexation and the use of the closing exchange rate) are as follows:

Impact on the Group's audited financial statements				
SAR (million)	**Iran**	**Sudan**	**Turkey**	**Total**
2021G				
Increase in revenues by	98	550	-	648
Decrease in profit for the year by	(7)	(9)	-	(16)
Increase / (decrease) in total non-current assets by	(3)	46		44
Impact on foreign currency translation reserve by	29	76	-	105

Impact on the Group's audited financial statements				
SAR (million)	**Iran**	**Sudan**	**Turkey**	**Total**
2022G				
Increase in revenues by	124	231	69	424
Decrease in profit for the year by	(48)	(12)	(7)	(67)
Increase in total non-current assets by	69	15	28	113
Impact on foreign currency translation reserve by	131	(0)	41	171
2023G				
Increase / (decrease) in total revenues by	79	(108)	38	9
Increase / (decrease) in profit for the year by	(34)	9	(13)	(39)
Increase / (decrease) in total non-current assets by	(98)	(33)	10	(121)
Impact on foreign currency translation reserve by	(64)	(50)	20	(94)

Prolonged periods of cost inflation may also have a negative impact on the Group's profit margins and earnings to the extent such cost increases are not translated into increase in prices. The Kingdom, in common with many other jurisdictions and economic regions in which the Group operates, is experiencing an increase in inflation, which has resulted in increases in costs of certain raw materials and transportation costs for the Group. In addition, the price of fuel, services and labor cost have increased in recent years. In addition, changes in Saudization requirements of the Group's workforce as well as amendments to the Labor Law in the Kingdom and the other markets in which it operates may affect the Group's operational expenditure (for more information, please refer to Subsection 2.3.6 ("**Risks related to Saudization Requirements, non-Saudi employees, and other Labor Law Requirements**") of Section 2 ("**Risk Factors**") of this Prospectus). The Group's operations in Egypt are subject to inflation in that territory. Given the cumulative 3-year inflation rates in Egypt as well as the possible inflationary impact of currency devaluation, effected by the Egyptian government during March 2024, a review of the hyperinflationary accounting for the Egyptian Pound in accordance with IAS29 may be triggered. The Group is monitoring the possible impacts of hyperinflationary accounting on its operations in Egypt. Any increases in the Group's operating expenses and costs will also reduce its cash flow, profit margin and funds available to operate the Group's business and for future expansion. This would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.6 Risks Associated with Permits, Licenses and Approvals Necessary for the Group's Business

The Group, as well as its investee companies, are required to obtain and maintain the necessary regulatory permits, licenses and approvals from relevant government authorities in each country in which it operates for its business operations and activities. In the Kingdom, these permits, licenses and approvals include, but are not limited to, commercial registration certificates for the Group and its investee companies issued by the MoC, civil defense permits, membership certificates with the relevant chambers of commerce, trademark registration certificates, Saudization and General organization for Social Insurance (GOSI) certificates in each case relating to the business operations of the Group and its investee companies. In addition, as a manufacturer and seller of food products in the Kingdom, the Group companies are required to obtain industrial and operational licenses issued by both the Ministry of Industry and Mineral Resources and the Saudi Authority for Industrial Cities and Technology Zones (Modon) as well as various licenses issued by and made with the SFDA, including a food establishment license. For further information, please refer to Subsection 11.1 ("**Company Incorporation and Licenses and Permits Under Which it Operates**") of Section 11 ("**Legal Information**") of this Prospectus. In addition, some of the Group companies are subject to ongoing reviews and assessments by the SFDA.

The Company has not yet renewed the civil defense permit for its head office located in Jeddah. For more details about the civil defense permits of the Company, please refer to Table 11-1 ("**The necessary permits obtained by the Company to carry out its activity in accordance with the applicable laws**") of this Prospectus.

Additionally, AIC has not yet renewed the SFDA warehouse licenses for its Jeddah and Riyadh warehouses. For more details about the SFDA licenses of the Subsidiaries, please refer to Table 11-5 ("**The necessary licenses obtained by AIC to carry out its activity in accordance with the applicable laws**") of this Prospectus.

Furthermore, USC has not yet obtained the High Commission for Industrial Security permit required for its Jeddah production facility. For more details about the High Commission for Industrial Security permits of the Subsidiaries, please refer to Table 11-5 ("**The necessary licenses obtained by USC to carry out its activity in accordance with the applicable laws**") of this Prospectus.]

Each approval is dependent on the satisfaction of certain conditions. The Group could encounter problems in obtaining government approvals or fulfilling the conditions required for obtaining these approvals, or it may not be able to comply with new laws, regulations or policies that may come into effect from time to time with respect to the Group's various business units in general or the particular processes with respect to the granting of approvals.

Most of the Group's existing licenses are subject to conditions under which they might be suspended or terminated if the Group fails to fulfil and abide by the underlying conditions. Moreover, when seeking to renew or amend the scope of a license, there is no guarantee that the concerned authority will renew or amend the license or that, if it does renew the license, no conditions will be imposed which would adversely affect the Group's performance.

If the Group does not obtain, or is otherwise unable to renew, a license necessary for its operations in the Kingdom, or if any of its licenses expires or is suspended, or renewed under unfavorable conditions to the Group, or if the Group is unable to obtain additional licenses required in the future, the Group will be subject to fines or will be required to cease carrying on its business totally or partially by the relevant Saudi governmental authorities, including fines up to SAR 30,000 from the civil defense or SAR 5,000 from MOMRAH for each infringing location. Additionally, the Group may be subject to sanctions issued by the SFDA, High Commission for Industrial Security and by the National Center for Environmental Compliance. If it does not obtain an environmental license or permit, the Group may be subject to sanctions including fines up to SAR 20 million, or the suspension of the license or permit for a period not exceeding six months for each infringing location, or the cancellation of such license or permit. This may interrupt or delay the Group's operations and cause the Group to incur additional costs, and may adversely and materially affect the Group's business, results of operations, financial position, and prospects.

2.1.7 Risks Related to the Group's Operations Outside of the GCC and some Levant States

A significant portion of the Group's and its investee companies' products sales are from operations outside of the GCC and some Levant states. During the financial years ended 31 December 2021G, 2022G and 2023G, the Group generated approximately 30%, 34%, and 32% of its sales, respectively, from operations outside of the GCC and some Levant states. This includes geographies such as Egypt, Algeria, Turkey, Iran and Sudan, and includes locally manufactured products in these countries as well as exports from these countries (for more details, please refer to Table 7-6 ("**Revenue by geographical Area for the financial years ended 31 December 2021G, 2022G and 2023G**") of Section 7 ("**Management Discussion and Analysis of Financial Position and Operating Results**") of this Prospectus). As part of its business strategy and growth plan, the Group may plan to expand further its operations into more countries, which will result in an increase in sales and purchases outside the GCC and some Levant states. Cross border operations are subject to risks, including but not limited to:

- inadequate protection of intellectual property;
- currency exchange rate fluctuations or imposition of foreign exchange controls;
- difficulties and costs associated with complying with a wide variety of complex domestic and foreign laws, regulations and treaties, some of which are subject to change;
- legal uncertainties regarding, and timing delays associated with, customs procedures, tariffs, import or export licensing requirements and other trade barriers;
- differing preferences and local product requirements;
- increased difficulty in collecting delinquent or unpaid accounts;
- risk of loss at sea or other delays in the delivery of products caused by transportation difficulties;
- differing tax regimes;
- changes in laws and regulations and/or government policies.

In 2023G, an armed conflict began in the Republic of Sudan. Consequently, Management temporarily suspended production operations for the safety of its workforce and formed a task force to closely monitor the situation and assess the impact on its operations. The armed conflict in Sudan during 2023G led to the identification of some impairment indicators for the Group's subsidiary in this country. Accordingly, the impairment of assets for the subsidiary in Sudan was evaluated using the value-in-use method. As a result, an impairment loss of SAR 18 million was recorded in the audited consolidated financial statements for 2023G. Additionally, the Group recorded insurance receivables of SAR 34 million after filing claims for property, machinery, equipment, and inventory losses due to a missile strike on the factory and warehouse. Revenues from operations in Sudan contributed approximately 3% and 1% to the Group's revenues in 2022G and 2023G, respectively.

Any of these factors, individually or in the aggregate, could potentially affect the Group's sales in the affected countries and force it to change or abandon its growth plans, which would, in turn, have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.8 Risks Related to the Seasonality of Revenues

The revenues of the Group and its investee companies are subject to seasonal variations, in particular during the Back to School, Hajj and Ramadan seasons; as sales typically increase during these periods and decrease during summer time when citizens and residents travel abroad for vacations. Savola Foods Company monthly sales between FY2021G and FY2023G reached a seasonal peak during March and April, June and July, and August and September, in line with holiday periods occurring during these months. Together, these six months contributed an average of 50% of annual sales between FY2021G and 2023G. Additionally, monthly sales at Panda Retail Company reached a seasonal peak between March and April, continuously influenced by the holy month of Ramadan between FY2021G and 2023G. These two months together contributed an average of 21% of the annual sales between FY2021G and 2023G.The Group and its investee companies may not be able to anticipate all such seasonal variations in sales, and such seasonal variations may affect the consistency of the Group's revenues. Notably, the Group's revenues increase in the periods preceding the month of Ramadan and decrease in the periods following Ramadan and during the summer season.

Moreover, the ingredients of food products produced by the Group and its investee companies may also be affected by bad weather conditions (such as natural disasters, floods, torrential rains, droughts, etc.) which may affect the production process and costs. Accordingly, the Group may have difficulty planning its business, which in turn could limit the Group's ability to accurately forecast its future revenues or set an accurate budget for its operational costs, which would adversely and materially affect the Group's business, results of operations, financial position and prospects.

2.1.9 Risks Related to Patent Infringement Actions

The Group could become involved in patent infringement actions by third parties and may have to defend against charges that the products of the Group infringed patents or the proprietary rights of third parties. If the Group infringes the intellectual property rights of others, the Group could lose its right to develop, manufacture or sell products, or could be required to pay monetary damages or royalties to license proprietary rights from third parties. Patent infringement claims may also result in the Group having to redesign, alter or delay the launch of new products, which would have a negative effect on the Group's revenue and profitability. In addition, the outcomes of patent infringement actions are uncertain and such infringement actions are costly and divert technical and management personnel from their normal responsibilities. Any of these factors would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.10 Risks Related to Protecting Certain Trademarks on which the Group Relies

The Group has registered over seventeen (17) trademarks in the Kingdom and other markets in which it sells its products. The Group's business relies on these trademarks. In the event the Group is unable to register or renew its trademark certificates, or in the event a third party objected to the registration of a trademark, this would affect the Group's business, results of operation and financial position. The competitive position of the Group depends on the Group's ability to continue using such trademarks and to protect its rights related to such trademarks against any illegal use of such trademarks by third parties.

In the event the intellectual property rights related to the trademarks of the Group is infringed, including as a result of unauthorized use or a failure to protect such rights by the competent authorities in accordance with the regulations of the relevant countries, it may face costly litigation and the diversion of technical and management personnel. Furthermore, the Group may have to enter into royalty or licensing agreements, which may not be available on terms favorable to the Group, or at all. Any of the above would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.11 Risks Related to Maintaining the Reputation of the Group and its Brands

The Group's success depends in part on maintaining the image and reputation of brands such as "Afia", "Panda", "Al Kabeer", "Herfy", "Shams", "Al Arabi", "Yudum", "Al Osra", "Rawabi", "Ganna", "El Maleka" and "Bayara". Quality, health and safety issues, actual or perceived, are likely to damage the reputation of these brands, which could cause consumers to switch to competitors, resulting in a loss of customers and a decline in the Group's market share and revenues.

The reputation of the Group's brands could be adversely affected as a result of any act by the Group in breach of quality, health, and safety standards imposed by regulatory authorities (for more details, please refer to Subsection 2.1.6 ("**Risks associated with permits, licenses and approvals necessary for the Group's business**") of Section 2 ("**Risk Factors**") of this Prospectus.

The Group's brands may also be materially adversely affected by factors beyond the Group's control, including lawsuits, regulatory investigations, fines and penalties against the Group and its investee companies, or otherwise relating to the products or services offered by the Group and its investee companies, or improper or illegal conduct by the Group's or its investee companies' employees, suppliers, third-party merchants and other business partners, that is not authorized by the Group. Furthermore, adverse publicity campaigns (whether accurate or not) relating to activities by the Group's Board, Shareholders, Management, Related Parties, suppliers, employees, contractors or agents (such as quality control issues or non-compliance with laws and regulations) will tarnish the reputation of the Group's brands. With the increase in the use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult to effectively respond to by the Group.

Any damage to the Group's brand names or reputation as a result of these or other factors may cause its products and services to be perceived unfavorably by consumers, third-party merchants, regulators and other business partners, which as a result would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.12 Risks Related to the Group's Related Party Transactions

As at the date of this Prospectus, none of the Group's Board members has any direct or indirect interest in transactions and contracts made for the account of the Company that are subject to the requirements of Article 71 of the Companies Law. However, the Group's Subsidiaries maintain ongoing and close business relationships with several Related Parties. In particular, the Group's Subsidiaries entered into contracts with Related Parties, including contracts for the sale and purchase of goods and rental. As at the date of this Prospectus, the Group's Subsidiaries have 18 current transactions with Related Parties, which were approved by the Extraordinary General Assembly for each related Subsidiary.

The total value of Subsidiaries' transactions with all Related Parties amounted to SAR 1,700,157,000, SAR 1,492,414,000, and SAR 1,751,384,000 for the financial years 2021G, 2022G and 2023G, respectively. Total Subsidiaries' Related Party transactions constituted 6.9%, 5.3%, and 6.5% of the Company's total revenues for the financial years 2021G, 2022G and 2023G, respectively. Additionally, total Subsidiaries' Related Party transactions constituted 8.4%, 6.4%, and 8.2% of the Company's total cost of revenues for the financial years 2021G, 2022G and 2023G, respectively. For a summary of the Subsidiaries' transactions with Related Parties, please refer to Subsection 11.5.1 ("**Contracts and Transactions with Related Parties**") of Section 11 ("**Legal Information**") of this Prospectus.

As of the date of this Prospectus, all Subsidiaries' Related Party Transactions were on arm's length terms. However, to the extent that the Subsidiaries enter into contracts with any Related Parties which are not on arm's-length terms and/ or in the event such transactions grant undue benefits to Related Parties of the Subsidiaries, this could negatively affect the Group's costs and revenues which would, in turn, adversely and materially affect the Group's business, results of operations, financial position and prospects.

In the event that Subsidiaries enter into contracts with Related Parties on preferential terms or under unfair or inequitable commercial bases, or if these transactions include undeserved benefits to Related Parties, this may negatively affect the Group's costs and revenues which would, in turn, adversely and materially affect the Group's business, results of operations, financial position and prospects.

The Subsidiaries cannot guarantee their ability to renew their contracts with such Related Parties when expired. If any such Related Parties do not renew the agreements entered into with the Subsidiaries, or renew these agreements but under conditions that are not in line with the Subsidiaries' objectives, this would adversely affect the Subsidiaries' business. Under Article 71 of the Companies Law, those related party agreements, in which any Director is deemed to have an interest, will need to be approved by the General Assembly of the relevant Subsidiary. It is also required that any Director and/or Shareholder of the relevant Subsidiary, who is deemed to have an interest (such as a shareholder who has a representative Director on the Board), cannot participate in the deliberations related to the approval process for such Related Party Transaction(s).

If the contracts with Related Parties are not renewed when expired, the Board or General Assembly do not agree to renew these contracts, or otherwise the Related Parties do not agree to renew them under the current terms or under terms that are commercially viable to the Group, then the Group might not be able to enter into other contracts on the same terms or on terms favorable thereto. Any of these factors would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.13 Risks Related to the Outbreak of Infectious Diseases or other Serious Public Health Concerns

The outbreak of an infectious disease, such as Middle East Respiratory Syndrome (MERS), H1N1, SARS and, most recently, the Coronavirus (COVID-19) in the Middle East will have a materially negative impact on the Saudi economy and business operations of the Group.

Following the outbreak of COVID-19, the governments of many countries imposed travel restrictions and mandatory quarantine measures on international travelers. In some cases, they also imposed restrictions on residents of certain regions, provinces, or districts. Additionally, there was a temporary suspension of travel visas for tourists visiting for religious purposes intending to visit the cities of Mecca and Medina to perform Hajj and Umrah. Moreover, there was a temporary suspension of all flights (international and domestic) and intercity transportation services by buses, taxis, and trains. In the event that there was a further increase in the spread of COVID-19 or outbreaks of other diseases, it is difficult to estimate the potential impact that this might have on the economy of the Group's key markets and the business operations of the Group, and could make the Group vulnerable to risks of business interruption. In addition, the supply of certain international raw materials and other products purchased by the Group, or the ability of the Group to export its products to other markets, could be suspended, delayed or otherwise adversely affected. Furthermore, there can be no assurance that any containment measures (such as those outlined above) would be effective in stopping or curtailing future outbreaks in the Kingdom or the Group's other key markets. Moreover, it is likely that any containment measures (such as those outlined above) will have a material and adverse effect on the Saudi economy and investor and business confidence to an extent difficult to predict. This would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.14 Risks Related to the Group's Reliance on its Senior Management and Key Personnel

The Group's success depends upon the continued service and performance of its senior Management and other key personnel, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. The Group relies on a number of key individuals in its senior Management team, who have valuable experience within the food and retails sectors and who have made substantial contributions to the development of the Group's operations and expansion. Competition for senior Management and key employees in the food and retails sectors is intense, and the Group cannot guarantee that it will be able to retain its personnel or attract new, suitably qualified personnel, or that key personnel, including those recently appointed, will not leave the Group to engage in businesses similar to or competing with Group's business.

The loss of the services of members of the Group's senior Management or key employees could prevent or delay the implementation and completion of its strategic objectives, divert Management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively. Any member of senior Management, as well as any of the key employees, may resign at any time. If the Group loses the ability to hire and retain key senior Management and employees with high levels of skills in appropriate domains, this would materially and adversely affect the Group's business, results of operations, financial position, and prospects.

2.1.15 Risks Related to the Adequacy of Insurance Coverage

The Group maintains insurance policies which Management consider to be appropriate given the nature of the Group's activities. There is no guarantee that these insurance policies will be adequate at all times and in all circumstances, or that the limit of insurance coverage will be sufficient in all events to pay for the claims relating to the insured risks. Specifically, the Group faces these insurance challenges in certain geographical areas outside the GCC countries, such as Sudan and Russia. The Group might not be able to successfully substantiate its claim with regard to a certain liability or loss according to the insurance policies in effect because of the exclusions or conditions of insurance coverage, or if the Group has not met certain insurance criteria in respect of a particular claim. This could cause the Group to be denied compensation for an insured risk after the occurrence of a loss event.

Future events might occur for which the Group might not have adequate insurance coverage to cover all potential losses, or might not be insured against it at all, such as risks resulting from acts of aggression, political risks, war and sabotage. In addition, the Group's present insurance policies contain coverage exclusions or limitations. The current insurance policies might also be unavailable in the future. The Group also operates in certain markets where adequate insurance coverage is not readily available. Accordingly, the losses and liabilities resulting from entirely uninsured or insufficiently insured risks could significantly increase the Group's costs, which would have a material adverse effect on the Group's business, prospects, results of operations, financial position and share price, and would also have a material adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Group.

2.1.16 Risks Related to Interruptions in the Group's Information Technology Systems

The Group's operations, including research, development, manufacturing, accounting, storage and delivery, are highly dependent on its information technology systems. The Group depends on these systems to facilitate the manufacture and distribution of a high number of products to the Group's facilities and to inventory and manage the accurate accounting and payment to and from suppliers and customers.

External and internal risks, such as malware, code anomalies, attempts to penetrate the Group's networks, unavailability of required updates or modifications, data leakage and human error all pose a direct threat to the Group's services and data. The Group's networks may also be subject to interruption due to unforeseen "force majeure" events or power outages. These types of adverse events could also occur in the event the confidentiality, integrity or availability of the Group and customer information is compromised due to a data loss by the Group or a trusted third party. Additionally, the cost and operational consequences of implementing further upgrades to the Group's IT systems and networks, and data or system protection measures, whether due to expansion, upgrades, new technology, new laws and regulations, or otherwise, could be significant. In addition, the Group's IT systems need regular upgrading to accommodate expansion of the Group's business and maintain the efficiency of its operations. If the Group faces a breakdown in its systems, it could experience significant business and operational delays across its businesses. In particular, any breakdown in the Group's IT systems could result in disruptions of the Group's research, development, manufacturing, accounting and billing processes.

The Group's facilities and systems, or those of third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human errors or other similar events. Because such attacks are increasing in sophistication and change frequently in nature, the Group and its third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of the Group's systems, or those of its third-party service providers, may not be discovered and remediated promptly, which could result in a loss of data. A security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error made by the Group's employees may lead to a breach of consumers, employees' and customers' data privacy and security.

Any disruption to the internet or the Group's IT systems and/or technology infrastructure, including those impacting the Group's computer systems, or the occurrence of any of the aforementioned risks, would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.17 Risks Related to Litigation Involving the Group

The Group, its investee companies, its Directors or officers may become involved in lawsuits and regulatory actions with parties including suppliers, employees, competitors, regulatory authorities, consumers or owners of lands leased to the Group and its investee companies for its operations. It should be noted that Panda Retail Company was fined SAR 400,000 by the General Authority for Competition on 30/08/1444H (corresponding to 22/03/2023G), for failing to submit an economic concentration request to the General Authority for Competition regarding the acquisition of Atabet Al Bab Communication ("Al Bab") Company by Panda Retail Company, in violation of Article 17 of the Competition Law. Panda Retail Company paid the full amount of the fine at that time. The Company also received on 19/03/2024G a violation notice from the CMA related to the Company's failure to fully and clearly disclose its announcement published on the CMA (Tadawul) website in accordance with Article 78(a) of the Rules on the Offer of Securities and Continuing Obligations and paragraph (e) from the general instructions of the Instructions for Companies' Announcements on 07/02/2024G, related to the Group's announcement of the recommendation of its Board of Directors to increase its capital through the offering of Rights Shares and the distribution of its entire stake in Almarai to Savola's shareholders, in addition to its failure to disclose all material developments separately. On 31/05/2023G, a fine of SAR 5,000 was imposed on the Company from the General Directorate of Civil Defense for placing obstacles at the emergency exits of the Savola Tower located in Jeddah, Ashati District. Further, on 09/07/2024G a fine of SAR 5,000 was imposed on the Company from the General Directorate of Civil Defense as a result of the inefficiency of the dry firefighting network on the southern side of the Savola Tower located in Jeddah, Ashati District. Any unfavorable outcome in any litigation or regulatory proceedings involving the Group and its investee companies may have a material adverse effect on the Group's business, results of operations, financial position or prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Group devote substantial resources to defend against these claims, which would have a material adverse effect on the Group's business, results of operations, financial position and prospects (please refer to Subsection 11.6 ("**Disputes and Litigation**") of Section 11 ("**Legal Information**") of this Prospectus).

2.1.18 Risks Related to Taxes and Zakat

The Group operates in jurisdictions subject to taxation, including corporate income tax, value-added tax, customs duties, profit taxes, payroll taxes, withholding taxes and property taxes. Moreover, the tax laws and regulations in some of these jurisdictions, including transfer pricing policies on cross-border intra-Group transactions, may be subject to the application of new tax laws and regulations, frequent change, varying interpretations and conflicting applications.

Taxes and penalties may be imposed on the Group due to non-compliance with the applicable rules and regulations, including incorrect tax assessments that do not align with tax rules and regulations, non-compliance with pricing rules for intra-Group transactions, the imposition of new taxes, improper record-keeping, the issuance of invoices that do not comply with the VAT requirements, failure to make the relevant tax deductions, failure to submit the necessary tax returns, or failure carry out certain dealings with Related Parties on an arm's length basis and in accordance with the transfer pricing requirements. The Group has set aside provisions in accordance with ZATCA's laws and directives, and other income taxes which amounted to SAR 226,873,000, SAR 219,911,000 and SAR 362,139,000 as of 31 December 2021G, 2022G and 2023G, respectively; and the Group's tax provisions may be insufficient to cover these potential liabilities

Since its formation, the Group and its Subsidiaries filed their Zakat declarations on a standalone basis until the financial year ended 31 December 2023G.

ZATCA could revisit any previous year, up to five (5) years in the past, in case it has not issued a Zakat assessment for the year revisited, and may challenge the declarations submitted, pursuant to the Implementing Regulations for Collecting Zakat Amounts promulgated by Ministerial Resolution No. 2217 dated 07/07/1440H (corresponding to 14/03/2019G), which could entail requiring the Group to pay additional Zakat amounts to cover any additional Zakat liabilities. In connection, any additional Zakat liabilities arising as a result of ZATCA's Zakat assessments of the Group and its Subsidiaries, and if the Zakat provision is not sufficient to meet these additional Zakat liabilities, the Zakat dues would impact the Group's results of operations and financial position.

In accordance with the Tax/Zakat regulations currently applicable in the Kingdom, if the Tax/Zakat returns are filed within the statutory deadline, the statute of limitation is five (5) years from filing the relevant declaration. The Group could make errors when implementing the regulatory requirements, which would lead to facing penalties imposed by the Zakat, Tax and Customs Authority in accordance with the Value-Added Tax Law. Should that occur, it would impact the Group's results of operations and financial position.

2.1.19 Risks Related to the Potential Misconduct of its Third-Party Agents

The Group relies on third-party distributors and other agents for the marketing, distribution and procurement of its products in certain markets. Some of these third parties are small scale entities and do not have internal compliance resources. In some emerging growth markets, specific regulations regarding the marketing and sale of food products either do not exist or are still being developed, which may result in legal uncertainty and the inconsistent application of existing laws and regulations. If the Group fails in its efforts to screen third-party agents and detect cases of potential misconduct, the Group could be held responsible for the non-compliance by these third parties with applicable laws and regulations, which would adversely affect the Group's reputation and/or have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.20 Risks Related to the Group's Current Financing Arrangements

The Group has entered into a number of commercial facilities, which include letter of credit facilities, letter of guarantee facilities, commodity Murabaha facilities, loan facilities and tawarruq facilities with Al Rajhi Bank, Saudi Awwal Bank, Riyad Bank, Gulf International Bank, Saudi National Bank, Banque Saudi Fransi, Arab National Bank, Bank AlJazira and the Saudi Industrial Development Fund (the "**Finance Documents**"). The Group's total loans and borrowings stood at SAR 8,461,153,000, SAR 8,144,596,000 and SAR 8,587,704,000 for the financial years ending 2021G, 2022G and 2023G (for more details, please refer to Table 7-28 ("**Short-term and long-term loans and borrowings for the years ended 31 December, 2021G, 2022G, and 2023G**"), Table 30-7 ("**Long-term loans of the Group and its subsidiaries and their repayment status as of December 31, 2023G**"), and Table 31-7 ("**Short-term loans of the Group and its subsidiaries and their payment status as of December 31, 2023G**") of Section 7 ("**Management Discussion and Analysis of Financial Position and Operating Results**") of this Prospectus).

Additionally, the Group has secured loans from several foreign banks located in Egypt, Algeria, Turkey, the United Arab Emirates, Sudan, and other countries. These foreign loans are subject to interest rates that vary from one country to another and are based on the currency of the country where the respective bank is located. Please refer to Subsection 2.3.3 ("**Risks Related to the Fluctuations in Foreign Exchange Rates against the Saudi Riyal or Currencies of Other Countries in which the Group Operates**") of Section 2 ("**Risk Factors**") of this Prospectus).

Loans and Borrowings by Geography			
SAR million	**2021G**	**2022G**	**2023G**
Saudi Arabia	6,832	6,515	7,612
Egypt	683	407	328
Algeria	264	254	55
Turkey	236	245	169
Iran	203	493	243
Morocco	120	-	-
United Arab Emirates	70	115	144
Sudan	53	116	37
Total	**8,461**	**8,145**	**8,588**

There are a number of provisions in the finance documents that grant unrestricted termination rights to the banks, together with unilateral amendment rights such as the right to amend any provisions of the finance documents, amend, cancel, or reduce the facilities, amend the relevant rates and demand set-off of all outstanding amounts regardless of the occurrence of an event of default. In addition, the banks have broad set off rights against the Group's accounts and assets, which may affect the Group's available cash flow should a bank choose to exercise their set-off rights, together with broad cross-default provisions and obligations for the Group to provide additional security or sign additional guarantees or order notes. The finance documents also contain provisions that oblige the Group to obtain the approval of the banks before effecting any changes to its ownership or legal form.

Some of the foreign loans also stipulate covenants and requirements, which include but are not limited to, maintaining certain financial ratios and submitting audited financial statements and other financial reports at specified intervals.

In the event of non-compliance with any provisions set out in this section, the relevant bank would have the right to take any steps to preserve its rights such as accelerating the payment of the amounts due and terminate the facilities. The Group may also not be able to obtain alternative sources of financing to repay such debts, which would have a material adverse effect on the Group's business, results of operations, financial position, and prospects.

Additionally, the Group may need additional funds to address the challenges it may face in the course of its business operation, implement its growth strategy, increase its market share across its current markets, expand into other markets, or expand its product offering. The liquidity generated from the Group's current operations and financial resources may not be sufficient to fund its growth strategy, and thus the Group may seek to increase its capital, or may increase its indebtedness. The Group's net debt ratio (excluding lease liabilities) to total equity for the years ended 31 December 2021G, 2022G, and 2023G is approximately 0.78x, 0.72x and 0.70x, respectively.

If the Group is not able to obtain sufficient funds when needed or under favorable terms, or otherwise if the Group becomes unable to pay its debts when they fall due, the Group's ability to run its business or achieve the intended growth rate would be adversely affected, which would adversely and materially affect the Group's business, results of operations, financial position, and prospects.

Additionally, guarantees have been provided by the Company along with its investees in certain instances. In the event that any or all of the guarantors withdraw or do not renew its guarantees (when requested by the lenders), or if such guarantee becomes invalid for any reason, and the lenders do not agree to allow the Company to provide alternative guarantees (such as mortgaging assets or other guarantees banks typically accept from listed joint-stock companies in lieu of the parties' guarantees) this may be construed by the lenders as a breach by the Company of the respective facilities, which may result in demanding immediate repayment of the outstanding amounts due. In such case, there is no guarantee that the Company will be able to obtain sufficient alternative sources of financing to repay these debts. Any of these factors would have a material adverse effect on the Group's business, results of operations, financial position, and prospects.

2.1.21 Risks Related to the Concentration of the Group's Revenues on Sales within the GCC and some Levant States

The Group sells its products inside and outside the Kingdom in the MENA region. As of 31 December 2021G, 2022G and 2023G, the Group generated approximately 70%, 66%, and 68% of its total revenues, respectively, from sales within the GCC and Levant. Accordingly, if the GCC and some Levant states are affected by any economic, political or regulatory risks, or other factors that may lead to a deterioration in the economic or political conditions or a decline in the level of consumer spending in the GCC and some Levant states, this will negatively affect the Group's total revenue, which would adversely and materially affect the Group's business, results of operations, financial position, and prospects.

2.1.22 Risks Related to the Collection of Debts Due to the Group

The total debts owed to the Group (trade and other receivables), excluding amounts due from Related Parties, amounted to SAR 2,095,561,000, SAR 2,224,680,000 and SAR 2,044,094,000 as of 31 December 2021G, 2022G and 2023G, respectively. Provisions for doubtful debts that were allocated against the total receivables (including related parties) amounted to SAR 150,365,000, SAR 166,072,000, and SAR 187,699,000 (refers to the allowances for expected credit losses) as of 31 December 2021G, 2022G and 2023G, respectively.

The debts owed to the Group that were overdue (excluding debts due to the Group from Related Parties, overdue implying 90 days+) are estimated at SAR 355,900,000, or approximately 17% of the total debts owed to the Group as of 31 December 2021, SAR 483,900,000, or approximately 22% of the total debts owed to the Group as of 31 December 2022G, and SAR 530,600,000, or approximately 26%, of the total debts owed to the Group as of 31 December 2023. Provisions for expected credit losses represent 8.6%, 9.1%, and 9.7% of the Group's total trade receivables for the financial years 2021G, 2022G, and 2023G, respectively. In the event the Group's debtors experience difficulties in the results of their operations and their financial positions, this will lead to them defaulting on their debts to the Group and may lead to the insolvency of such debtors or them being declared bankrupt. Any failure to repay such debts, or the bankruptcy or insolvency of the Group's debtors, could adversely and materially affect the Group's business, results of operations, financial position, and prospects.

In addition, the Group may be forced to accept alternative payment terms from distributors in certain circumstances and at certain times. Such terms may grant the right to late payment, which could cause the Group to incur financial losses if the terms are not met. The scale of the financial losses that the Group may incur depends on the extent to which these circumstances are linked to large receivables that cannot be paid when they fall due or at all. If the Group is unable to collect the amounts due from its debtors, this would adversely and materially affect the Group's business, results of operations, financial position, and prospects.

2.1.23 Risks Related to the Company's Head Office Title

The Company acquired the Eastern Tower of the main business center (consisting of 16 floors including the ground floor) located in the Shati district of Jeddah city under a binding sale contract dated 15/04/2012G, concluded with a real estate developer for its use as the Company's head office, with a net carrying value of SAR 171,375,000 for the financial year ending on 31 December 2023G. The Company is still in the process of completing the transfer of the title deed. If the procedures for transferring the title deed are not completed for any reason as clarified by the relevant authorities, the Company's right to ownership of the building may be jeopardized due to failure to complete title deed transfer procedures. Accordingly, any failure in obtaining formal title deeds would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.24 Risks Related to Leased Sites

The Council of Ministers issued Resolution No. (292) dated 16/05/1438H (corresponding to 13/02/2017G), stipulated that lease contracts that are not electronically registered on the Ejar platform are not valid contracts that produce administrative and/or judicial effects. As of the date of this Prospectus, the Group has lease contracts which are not electronically registered on the Ejar platform, and therefore in the event of any dispute arising between the Company and the lessees in relation to the non-registered lease contracts, such disputes cannot be referred to Saudi courts. As such, the Company may not be able to protect its rights in the event of a breach by the lessees of their contractual obligations. Accordingly, failure to electronically register the Company's lease contracts on the "Ejar" platform may result in risks related to the inability to issue or renew municipal licenses, which may have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.25 Risk Related to the Use of Accounting Assumptions, Estimates and Judgments and the Corresponding Errors

In connection with the preparation of its Financial Statements, the Group is using certain accounting assumptions, estimates and judgments related to complex accounting matters, varying interpretations of which could significantly affect the Group's financial results. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Group's business, including but not limited to, revenue recognition, intangible assets, taxes and litigation, or impairment on trade and other receivables are highly complex and involve many subjective assumptions, estimates and judgments by the Group, creating room for errors. Changes in the underlying assumptions, estimates or judgments, as well as the corresponding errors, may have a material adverse effect on the Group's business, financial position, results of operations or prospects.

2.1.26 Risk Related to Employee Misconduct and Errors

Company employees may engage in actions or commit errors that negatively impact the Company's operations, such as engaging in illegal activities, misusing information, disclosing confidential information, spreading misleading information, or violating the Company's internal controls. Such actions may result in violations of applicable laws and regulations in the Kingdom, potentially leading to regulatory penalties imposed on the Company by the competent authorities. These penalties may vary depending on the severity of the misconduct or error committed by the employee, which could result in financial liability or damage to the Company's reputation. The Company may not be able to prevent its employees from engaging in any misconduct, as there is no guarantee that employees will adhere to the Company's internal policies, which could result in losses, fines, financial burdens, or reputational damage to the Company, as the company's internal policies related to governance and compliance (including those concerning sanctions, trade restrictions, anti-bribery and corruption, employee conduct, and whistleblowing policies) may not be sufficient to protect the Company from any errors committed by its employees. Any fines, penalties, or claims may affect the company's profitability, and negative publicity related to employee misconduct may adversely affect the company's reputation and revenues. Employee misconduct or errors may have a material adverse effect on the Company's business, results of operations, financial position or prospects.

2.1.27 Risks Related to Changes in Accounting Standards or the Implementation of New Standards

The Company's consolidated financial statements for FY2023G have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the Kingdom of Saudi Arabia, in addition to other standards and issuances by the Saudi Organization for Certified Public Accountants (SOCPA). The Company is committed to applying any amendments or changes that may occur to these standards from time to time. There is no guarantee that the mandatory application of certain accounting standards will not change in subsequent years. If this occurs, it may have a material adverse effect on the Company's business, results of operations, financial position or prospects.

2.1.28 Risks Related to Natural Disasters

The Company may incur significant expenses in the event of any natural disasters that it cannot contain or control, such as floods, earthquakes, storms, and other catastrophes that could damage the company's factories. Natural disasters may also affect the company's ability to continue its operations, leading to a decrease in revenue generated from these operations. Therefore, any natural disaster that causes damage to the Company's factories or supply chain could have a material adverse effect on the Company's business, results of operations, financial position or prospects.

2.2 Risks Related to the Group's Food and Retail Businesses

2.2.1 Risks Related to the Availability and Fluctuating Prices of Raw Materials and Packaging Materials

The Group has over 17 production facilities, each with major production lines (please refer to Subsection 4.2.1.1 ("**Savola Foods Company**" and Subsection 4.2.1.3 "**Al Kabeer Group**") and Subsection 4.4.1 (c) ("**Strengths in Sourcing and Production**") of Section 4 ("**Overview of the Company and the Nature of its Business**") of this Prospectus). The production process of these facilities is mainly dependent on the availability of raw materials and packaging materials, in addition to the supply chain, the purchase of raw materials and packaging materials and the inventory that the Group maintains. The inventories consumed and/or sold which include the costs of finished goods, raw materials consumed, and packaging represented approximately 74%, 75% and 73% of the Group's total sales for the years ended 31 December 2021G, 2022G, and 2023G, respectively. Accordingly, the continuation of the Group's operations depends on continuous supplies of raw and primary materials used in the production process from suppliers of sugar and oil.

In addition, the prices of raw materials and packaging materials are subject to fluctuations, and the costs of these materials increase significantly for a variety of reasons including, but not limited to, a change in the laws of the countries from which the suppliers import raw materials and packaging materials, any change in the Saudi laws and regulations as well as the laws and regulations of other countries where the Group operates, regarding such imports, the rise in the costs and fees as a result of factors related to supply and demand, or any other influences. The prices of raw materials and packaging materials have recently increased for several reasons, including global inflation, one of the causes of which is the Ukraine war. If the Group is unable to obtain sufficient supplies of raw materials and packaging materials in a timely manner or on acceptable terms, or if the cost of such raw materials and packaging materials increases significantly, this may have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.2.2 Risks Related to the Contamination of Food Products

The Group's main product offerings include edible oils, sugar, pasta, nuts, spices, pulses, sea food and other food products (for further information on the Group's products, please refer to Section 4 "**Overview of the Company and the Nature of its Business**" of this Prospectus). The Group's food products may be exposed to contamination due to the use of imported materials such as metals, plastics or other materials used in the Group's plants during the production of those foods. Furthermore, the Group's products may be affected by contaminated or imported materials after being shipped by suppliers or third parties. The Group may be held liable for the same, whether the fault is on the part of the Group, its suppliers, customers, consumers or other parties. In addition, the spread of news regarding the presence of contaminated products, diseases or deaths resulting from pollution may have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.2.3 Risks Relating to Leases and not Owning the Lands on which the Group's Production Facilities are Located

As at the date of this Prospectus, the Group does not own all of the lands or properties through which the Group conducts its business with most utilized properties being leased and not owned. The land and properties on which the Group's production facilities and storage warehouses are located are leased; and, predominately leased from government authorities. For more information, please refer to Subsection 7.7.2.1 ("**Non-current Assets**") of Section 7 ("**Management Discussion and Analysis of Financial Position and Operating Results**") of this Prospectus.

These leases may be terminated in various circumstances, including an event of default or a force majeure event. If these leases are terminated or not renewed upon their expiration date, the Group will not have any rights to access or use the relevant assets, property or plant, which may cause the Group to abandon these assets without compensation. The Group's inability to renew these lease agreements under the same conditions may lead to the Group needing to cease its use or operations in the relevant facility, which could cause business interruptions or suspension. In addition, renewing contracts on terms that are less favorable to the Group, including rent price, may lead to an increase in the rental value, resulting, in turn, in the Group incurring additional unexpected liabilities. In all such cases, the Group might need to procure an alternative to these facilities which could be costly and time-consuming, as not all machinery and equipment can be relocated. The inability of the Group to renew these lease agreements or to renew them under their current conditions prior to the expiry of its term, or the termination of these lease agreements for reasons beyond the Group's control, would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.2.4 Risks Related to the Group's Operations and Unexpected Setbacks in the Group's Business

The Group's business' success depends significantly on the continuous and smooth operation of its facilities. The Group's operations involve the coordination of raw material supplies, internal production processes and external distribution processes. For the continuation of its operations, the Group's business depend on the functioning and effectiveness of its production lines, work systems, and supply chain. The operation of the Group's facilities is prone to a number of risks, including physical damage to buildings, Group's failure to carry out periodic maintenance, obsolescence of spare parts, power failures, failure of information systems, mechanical failures, the possibility of work stoppages, criminal incidents, civil unrest, natural disasters, fires, operational errors, changes in governmental planning for the land underlying production facilities, or any disruption or delay in the ports or various shipping services or other parts of the Group's supply chain in general. The occurrence of any of these or similar incidents would cause a significant disruption to the Group's business, which will affect adversely and materially the Group's business, results of operation, financial position, and prospects.

The equipment and machinery used in the manufacturing process are extremely important to the success of the Group's food operations. Any unexpected malfunction that occurs to machines or equipment, or any prolonged maintenance thereto, would disrupt the Group's food production and weaken its ability to produce sufficient quantities of food products on an ongoing basis or secure the quality of its food products in a way that meets the demands of its customers or adheres to its contractual requirements. In the event of any failure, this will negatively and materially affect the Group's business, prospects and the results of operations.

If there were significant setbacks in operations at one or more of the Group's facilities, the Group's revenues and profitability will be affected, which would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.2.5 Risks Related to the Approval of Products by SFDA

The SFDA is the Kingdom's authority responsible for regulating, overseeing and controlling food products, drugs and medical devices inside the Kingdom, imported or locally manufactured. The Food Law, issued by Royal Decree number (M/1) dated 06/01/1436H and its implementing regulations govern the activities related to the manufacturing, import, storage and transport of food products, to ensure the safety for consumption.

Furthermore, the SFDA has issued the conditions and requirements for importing food products to the Kingdom, which require that any products imported into the Kingdom meet specific quality and nutritional standards. This requires the supplier's food products to comply with the import conditions and requirements set out by the SFDA for various product categories. To monitor compliance, the SFDA may audit the operational procedures at the production facilities of the supplier's country. The SFDA may impose restrictive measures and tighten food and safety rules on products imported into the Kingdom when it deems doing so appropriate and serves public interest, which affected average sale costs and profit margins in general.

In the event that SFDA standards are not met, this may result in a decision banning import from the relevant entity, and consequently, the Group will not be able to import such products due to external market parameters that are beyond the control of the Group, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.6 Risks Related to Inventory

The Group must maintain sufficient inventory levels to successfully manage its operations, relying on its expertise in managing its stores and warehouses and understanding demand for its products to manage its raw material inventory. The total value of the Group's inventory amounted to SAR 3,601,683,000, SAR 4,637,024,000, and SAR 4,251,886,000 for the financial years 2021G, 2022G and 2023G, respectively, which equates to approximately 13%, 16% and 14% of the Group's total assets for said years.

The provision for slow-moving inventory increased from SAR 173,545,000 as of 31 December 2021G, to SAR 195,673,000 as of 31 December 2022G, mainly driven by (1) Savola Foods Company recording additional provisions amounting to SAR 36 million related to spoilage, obsolete spare parts, expired chemicals, and packaging products, among other things; (2) This was offset by a decrease in the provision related to Panda by SAR 18 million due to the reversal of the provision after better inventory management.

The provision for slow-moving inventory decreased from SAR 195,673,000 as of 31 December 2022G, to SAR 107,336,000 as of 31 December 2023G, due to (1) a decrease in the provision balance related to Savola Foods by SAR 47 million due to the reversal of the previously established provision for oil inventory in Saudi Arabia as a result of selling the olive oil inventory, amounting to SAR 11 million in 2023, along with the write-off of the previously established provision for spare parts amounting to SAR 17 million; and (2) a decrease in the provision balance related to Panda by SAR 28 million due to the successful improvement in shrinkage control and the reduction of the non-commercial inventory provision.

The average inventory days for the Group were 32, 30, and 36 for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively.

The Group may not be able to accurately forecast product demand, and it may not be able to make those forecasts in the future. There can be significant changes in product demand contrary to expectations. Demand can be affected by the introduction of new products to the market, pricing, changes in customer spending patterns, new competitors entering the market, and other factors. As a result, customer demand for the Group's products may decrease. Therefore, if the Group fails to accurately estimate customer demand, or manage inventory appropriately, or does not maintain optimal inventory levels and monitor inventory regularly, this will lead to inventory accumulation or insufficient availability of desired products in the Group's inventory, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.7 Risks Related to Identifying and Leasing Locations for New Stores on Commercially Acceptable Terms

Panda's performance depends, to a significant extent, on the location of its Stores. When selecting a site for a new store, Management takes into account various factors, including but not limited to:

- population density, customer traffic and vehicle traffic;
- customer accessibility;
- potential growth of local population;
- development potential and future development trends;
- estimated spending power of the population and local economy;
- profitability and payback period, estimated on the basis of the expected sales potential;
- marketing or strategic benefits;
- proximity and performance of competitors in the surrounding area; and
- site characteristics and suitability with the specifications of Panda's building plans.

Panda secures locations through long term lease agreements, as determined on a case-by-case basis. Going forward, Panda will need to secure more locations to open more stores. However, it is not easy to secure new locations for new branches, and, as a result, competition to secure these locations is intense. In the event that Panda encounters difficulties in securing suitable locations consistent with its expansion strategy, the Group's growth prospects will be adversely affected, which, in turn, would adversely and materially affect the Group's business, results of operations, financial position, and prospects.

2.2.8 Risks Related to the Maintenance of Panda Stores

Panda Stores require maintenance, expansion, and/or improvement, from time to time, to maintain an attractive appeal to, and continued demand from, Panda's customers. As the retail industry in the Kingdom evolves, customers may develop different expectations, tastes and preferences. For Panda stores, there is a current investment plan related to the Customer Experience Revival (CXR) program to modernize the store experience by updating the overall look and feel of the stores. The CXR entails refurbishing the stores, enhancing consumer experience, and improving backend systems, including shelf planning, availability, and other IT transformations. In the event that maintenance works are not carried out for Panda's Stores where required or appropriate, this could adversely impact the financial performance of those Stores. In addition, even where such maintenance works are implemented, the Group's existing Panda Stores may not be able to compete effectively with other newer Stores. In addition, such maintenance works in the Stores may cause disruptions to shoppers due to the partial closure of a Store on a temporary basis until maintenance works are completed. This may result in a temporary or partial loss of revenue by the Group while maintenance works are carried out.

If the Group is unable to maintain and/or improve its Panda Stores to satisfy changing customer preferences, this would adversely and materially affect the Group's business, results of operations, financial position and prospects.

2.2.9 Risks Related to Cash Management, Theft and Security

A central feature of the Group's operations management at its Panda Stores is the daily management and handling of cash in hand and maintaining security of operations (including with respect to cash as well as merchandise). Approximately 25% of all customer transactions in Panda Stores are settled by customers using cash. The Group collects cash from all Stores and deposits it on a daily basis into deposit machines in the closest Panda Store with a cash deposit. The Group then deposits all collected cash into its bank account on a daily basis.

There is a risk that cash received by the Group could be subject to theft from the general public and/or by employees working at the Group's Panda Stores. In addition, there can be no guarantee that the Group's cash insurance policies will be adequate to compensate the Group for any losses suffered as a result of any theft or cash mishandling. In view of the high volume if cash transactions in the operation of the Group's business, any incident of theft or other losses that may occur would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.2.10 Risks Related to Hedging Agreements

The Group has entered into hedging agreements through which it aims to stabilize the costs of raw materials under the procurement and sales contracts concluded thereby. The Group however does not guarantee that the hedging transactions will cover all of the losses that it may incur as a result of significant changes and fluctuations in the price of raw materials, which, in turn may have a material adverse effect on the Group's business, results of operations, financial position and prospects.

All Group commodity derivatives are entered into with global commodity exchanges and are primarily executed through Savola Foods Company via the Commodity Risk Management Department. Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded as profit or loss along with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk. The Group only applies fair value hedge accounting for commodity price risk (raw sugar). Gains or losses related to the effective portion of the hedging transaction are recognized as profit or loss under "Cost of Revenue." Gains or losses related to the ineffective portion are recognized directly as profit or loss under "Finance Income or Finance Cost." Changes in the fair value of future hedges are recognized in the consolidated statement of profit or loss under "Cost of Revenue." The raw materials and packing inventory was SAR 1,266 million, SAR 1,859 million, and SAR 1,254 million as of 31 December 2021G, 2022G, and 2023G, respectively, of which SAR 131 million, SAR 99 million, and SAR 200 million related to raw sugar. This inventory was held under a fair value hedge relationship. The fair value of raw sugar was SAR 128 million on 31 December 2021G, SAR 108 million and SAR 156 million on 31 December 2022G, and 31 December 2023G, respectively.

Pursuant to the hedging agreements entered into by the Group with international brokerage firms, the Group has credit limits that allow for limited changes in the daily prices of raw materials. If the raw materials prices undergo material and sudden fluctuations exceeding the credit limits granted to the Group, the Group must, upon the request of related brokers, cover the margin by paying additional financial differences resulting from the change in market value related to the hedging instruments compared to the prices of contracted-for raw materials. In the event that the amounts required to cover the margin are material, this will adversely impact the Group's cash flow which in turn will impact the Group's business, results of operations, financial position and prospects.

A sharp drop in the prices of raw materials may result in Group customers not fulfilling their contractual purchase obligations or in the bankruptcy of brokers procuring raw materials. In both cases, the Group must prosecute such customers, which may have an adverse effect on the Group's business, results of operations, financial position and prospects.

2.3 Risks related to the Market, Industry and Regulatory Environment

2.3.1 The Possibility of the Group's Subsidiaries' Operations Being Exposed to Geopolitical Risks

The majority of the Group Subsidiaries' operations are located in the Kingdom of Saudi Arabia, and the Group's financial performance is therefore dependent on the prevailing economic and political conditions in the Kingdom and on global economic conditions that affect the Kingdom's economy. In addition, the Group and its key suppliers have operations outside the Kingdom and so is exposed to the possibility of such operations being exposed to economic and geopolitical risks that result. The Group's Subsidiaries' activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk.

The oil sector still accounts for the largest share of the GDP of the Kingdom. Fluctuations in oil prices may occur, and adversely affect the economy of the Kingdom. Such conditions will have an adverse effect on the Kingdom's economy, which in turn would have a material adverse effect on the Group's business, financial position, results of operations, or prospects.

Fluctuations in economic factors, such as the availability of credit for consumers, interest rate levels, unemployment rates, salary levels and tax rates, cost of water and electricity consumption, partial or full removal of subsidies provided by the Saudi Arabian government for certain materials, may also affect consumer spending and demand for products offered by the Group. If the Group is unable to respond to market changes, the Group's business, results of operations, financial position, and prospects would be negatively and materially affected.

In addition, many countries in the Middle East suffer from political or security instability at the present time. There can be no assurance that the diplomatic relations with, or economic and political conditions in, those countries or other countries will not have a negative impact on the economy, foreign direct investment or financial markets in the Kingdom in general, and on the Group's business, results of operation, financial position and prospects.

Unexpected material changes may occur in the political, economic or legal environment in the Kingdom, other countries in the Middle East, and/or the countries where the Group or its key suppliers operates, which include without limitation, normal market fluctuations, recession, insolvency, weakness in employment levels, technological shifts and other such developments.

In addition, significant changes in tax or trade policies, fees or trade relations between the Kingdom and other countries or any changes in their local policies, such as the imposition of unilateral fees on imported products, any negative sentiments towards the Kingdom in response to increased import tariffs and other changes in the Kingdom's trade regulations, would result in significant increases in the Group's costs, restrict the Group's access to suppliers and depress economic activity.

The occurrence of any of the above factors would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.2 Risks Related to the Increasing Competition in the Industries which the Group Operates

The food and retail sectors in the Kingdom and other key markets where the Group operates are highly competitive. The Group and its investee companies face competition from other domestic and international entities operating in the same sectors. These companies may have greater financial, technical, research and development, marketing, distribution, retail and other resources than the Group or its investee companies. They may also have longer operating experience, a larger customer base or broader and deeper market coverage. As a result, the Group's competitors may be able to respond more quickly and effectively to new or evolving opportunities, technologies, standards or user requirements than the Group or its investee companies and may have the ability to withstand regulatory changes and industry evolvement. Furthermore, as the Group and its investee companies expands into other markets, it will face competition from new competitors, domestic or foreign, who may also enter markets where the Group and its investee companies currently operate or will operate.

The Group and its investee companies compete with other entities in the Kingdom and other key markets, based, among other things, on the following elements: (1) prices of certain products and services; (2) the degree of brand recognition for the quality products and services; (3) reputation and quality of the products and services offered; and (4) ability to understand and respond to customers' demands in a timely manner. Moreover, a number of different competitive factors would also have a material adverse effect on the Group's business, results of operations and financial position, including, among other things:

- changes in laws and regulations and/or government policy;
- adoption of aggressive pricing strategies, popular merchandise mix, innovative store formats or retail sales methods by the Group's existing or new competitors;
- entry by new competitors into the Group's current markets and increased competition from other international and local players, including other retailers;
- two or more competitors merging or forming strong alliances and offering superior quality service at lower cost due to increased efficiency;
- utilizing innovative retail sales methods and suppliers establishing their own stores; and
- any industry shift away from hypermarket store formats in favor of supermarket store formats, which would give a competitive advantage to competitors of the Group focused exclusively or primarily on supermarket store formats.

Any significant increase in competition may have a material adverse effect on the Group's revenue and profitability as well as on its business and prospects. There can be no assurance that the Group and its investee companies will be able to continually distinguish its products and services from those of its competitors, preserve and improve its relationships with various participants in the food value chain, or increase or even maintain its existing market share. The Group or its investee companies may lose market share, and its financial position and results of operations may deteriorate significantly if it fails to compete effectively. The occurrence of any of these events would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.3 Risks Related to the fluctuations in Foreign Exchange Rates against the Saudi Riyal or Currencies of Other Countries in which the Group Operates

The Group operates in multiple jurisdictions and exports finished products from its manufacturing facilities to markets abroad. As such, the Group undertakes certain transactions in foreign currency and is exposed to fluctuations in non-USD pegged local currencies such as the Euro, Egyptian Pound, Turkish Lira, Iranian Riyals, Algerian Dinar and Sudanese Pound. The foreign currency translation reserve in the statement of financial position recorded a deficit of SAR 1,899,084,000, SAR 2,066,346,000, and SAR 2,354,758,000 for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively. Foreign exchange losses/gains recorded in other comprehensive income amounted to a gain of SAR 84,933,000 for the financial year 2021G and losses of SAR 174,494,000 and SAR 341,815,000 for the financial years 2022G and 2023G, respectively.

Additionally, the Group's operations in Iran, Sudan and Turkey were subject to hyperinflation and disclosed amounts of local operations were adjusted as per IAS29. Unfavorable changes in foreign currency exchange rates or similar hyperinflationary environment may have a corresponding impact on the Group's revenue, profitability and net asset position, which in turn would materially and adversely affect the Group's business, results of operations, financial position and prospects. Also, dilution or disposal of the Group's stake in overseas Subsidiaries will result in reclassifying the associated accumulated currency translation reserve from equity to profit or loss.

2.3.4 Risks Related to the Competition Law

The Competition Law promulgated by Royal Decree No. M/75, dated 29/06/1440H (corresponding to 06/03/2019G) and its implementing regulations issued by the General Authority for Competition pursuant to Resolution No. 337, dated 25/01/1441H (corresponding to 24/09/2019G) prohibit practices with anti-competitive objectives or effects, including practices such as fixing prices of goods, service fees, or terms of purchase and sale.

It should be noted that Panda Retail Company was fined SAR 400,000 by the General Authority for Competition on 30/08/1444H (corresponding to 22/03/2023G), for failing to submit an economic concentration request to the General Authority for Competition regarding the acquisition of Atabet Al Bab Communication ("Al Bab") Company by Panda Retail Company, in violation of Article 17 of the Competition Law.

Should the GAC decide to conduct targeted investigations into the Group, or otherwise in general conclude that the Group is in breach of the applicable Competition Laws, it may impose on the Group a fine of up to 10% of the total annual sales value which is the subject of the violation or no more than ten million (SAR 10,000,000) Saudi riyals where it proves impossible to estimate such value. Moreover, the GAC may, at its discretion, impose a fine of up to three times the revenues made as a result of the breach and order the (partial or full) suspension of the Group's activities temporarily or permanently in case of repeated breach.

The occurrence of any of the above risks would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.5 Risks Related to Changes in Laws and Government Policies in the Group's Key Markets

The Group and its investee companies are subject to a range of laws and regulations in the Kingdom, which are applied by the Kingdom's governmental authorities in accordance with government policy or directives, most notably the Companies Law, the Capital Market Law, and the implementing regulations thereof issued by the Capital Market Authority, the Labor Law, the Competition Law, and the laws and regulations issued by the Zakat, Tax and Customs Authority, alongside the instructions issued by the Food and Drug Authority. Please refer to Subsection 2.6.1 ("**Risks associated with permits, licenses and approvals necessary for the Group's business**") of Section 2 ("**Risk Factors**") of this Prospectus. Demand for the Group's and its investee companies' products, services and its business may be materially and adversely affected by changes in the laws, regulations, government policy and administrative directives, or the interpretation thereof, in the Kingdom and other markets in which the Group operates, including in particular those with application to the food sector.

A number of the laws and regulations applicable to the Group and its investee companies and their operations are relatively new, and the interpretation and enforcement of these laws and regulations may involve uncertainty. There can be no assurance of favorable or unfavorable future changes in laws and regulations and/or governmental policy with respect to the industries in which the Group and its investee companies operate, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement. As a result, there is uncertainty as to the legal protection available to the Group and the Shareholders.

The Group and its investee companies are unable to anticipate changes in the regulatory environment and therefore could be subject to fines and sanctions, which would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.6 Risks Related to Saudization Requirements, Non-Saudi Employees, and other Labor Law Requirements

The Saudization (Nitaqat) program was adopted pursuant to Ministerial Resolution no. 4040 dated 12/10/1432H (corresponding to 10/09/2011G), whereby the Ministry of Human Resources and Social Development ("**MHRSD**") requires entities to employ Saudi nationals. Compliance with Saudization requirements, which is a local regulatory requirement necessitating that all private entities (except regional headquarters) carrying out business in the Kingdom, including the Group, employ and maintain a certain ratio of Saudi personnel among their staff. The ratio of Saudi workers varies on the basis of a Group's licensed activities and number of employees. As at the date of this Prospectus, the Group has been classified based on its various entities with the Company classified under the high green category with a Saudization ratio of 61%, AIC classified under the medium green category with a Saudization ratio of 42%, USC classified under the platinum category with a Saudization ratio of 53%, and Panda classified under the medium green category with a Saudization ratio of 52%, which means that it complies with the current Saudization requirements, and will be able to secure new work visas to hire additional foreign nationals from abroad, and transfer sponsorship of local hire foreign nationals, among other matters. The Group has obtained the relevant Saudization certificates from the Ministry of Human Resources and Social Development to this effect. For more information about Saudization, please refer to the Saudization certificates disclosed in Table 11-1 ("**The necessary permits obtained by the Company to carry out its activity in accordance with the applicable laws**") of Section 11 ("**Legal Information**") of this Prospectus.

Pursuant to the Labor Law Implementing Regulations and various Ministerial Resolutions issued by the Minister of the MHRSD, certain positions are exclusively or partially reserved to Saudi nationals. The penalties for entities recruiting non-Saudis in job functions exclusively reserved for Saudi nationals is a fine up to SAR 8,000 per employee, and non-compliance with the nationalization ratio for professions that are partially reserved to Saudi nationals is a fine up to SAR 6,000 per employee.

It should be noted that some of the Group's employees are foreign employees who do not carry out the jobs registered in their residency permit (iqama). The Group has a number of employees who work for the Group under manpower agreements, and service contracts concluded with companies that work human resources, and services, respectively. Some of these companies may not be licensed to provide human resources services in accordance with the relevant laws and regulations. Moreover, some of the service providers' foreign national employees working under service contracts on the Group's premises may not hold valid Ajeer certificates. The Group engages a number of non-Saudi workers sponsored by companies operating in the supply of manpower or services from third parties. In general, under the Saudi Labor Law, foreign employees are only permitted to work for the entity which sponsors them in the Kingdom, or lent by a licensed manpower company, or providing services under a valid services agreement (within their employer/sponsor's licensed activities), and in both the latter cases registered through Ajeer. For further information on the employees, please refer to Section 6 ("**Employees**") of this Prospectus. The risks related to the requirements applicable to non-Saudi employees include facing fines or penalties, such as suspension of MHRSD recruitment systems or services in the event of violating laws pertaining to iqama, transfer of sponsorship, Ajeer certificates, secondment, and residency professions, which would adversely affect the Group's business and results of operations. The penalties for entities seconding foreign employees under their own sponsorship to another entity without an Ajeer certificate include, for a first-time violating entity, a fine up to SAR 25,000 for each employee working in violation of the law, and these fines increase in case of repeated violations. In addition, under the Saudi Labor Law, each foreign employee must carry out the job function stated on his/her iqama. The penalties for entities hiring foreign national employees whose actual job function does not correspond with the job function appearing on their iqama include, for a first-time violating entity, a fine of SAR 1,000 for each employee working in violation of the law, and these penalties increase in case of repeated violations.

The Group may not be able to fulfil current or amended Saudization or other Labor Law requirements in the Kingdom and the markets where it operates in the future, or that the minimum wage required to be paid by the Group will not increase. In case of non-compliance with the requirements pertaining to Saudization or non-Saudi employees, the Group could face sanctions by governmental authorities. In addition, the Group may be unable to provide the required workforce or recruit the required number of Saudi nationals and/or foreign workers without incurring additional costs, if at all, which would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.7 Risks Related to Changes in Import and Export Laws and Regulations

The Group imports into the Kingdom and other markets in which it operates, raw materials and packaging materials required for the manufacture of its products, and the Group exports finished products from its manufacturing facilities to its markets abroad. Therefore, the import/export laws in the Kingdom and other markets in which it operates, the export laws in jurisdictions from which the Group or its suppliers import the materials that the Group uses in its operations, and the import laws of the countries in which the Group sells products manufactured elsewhere can all have a significant effect on the Group's business. The imposition of legal requirements or new regulations, such as the Saudi Government's recent decision to increase customs tariffs to 20%, anti-dumping duties or customs tariffs and other measures, whether adopted by countries or by regional trade blocs, it is possible that will affect the prices of raw materials and other products imported by the Group, which in turn would materially and adversely affect the Group's business, results of operations, financial position and prospects. In addition, if importation regulations become more restrictive towards the materials that the Group purchases from vendors or certain sanctions or embargos are imposed on these jurisdictions or the Group's key markets by the United Nations, other supranational organizations or other governments, this would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.8 Risks Related to the Imposition of Additional Fees or New Taxes

The Group is currently subject to Zakat, VAT, and withholding tax (given that some of the Group's transactions are with foreign parties not registered in KSA) and additional taxes applicable in other markets in which it operates. However, the government may impose other fees or additional taxes on companies in the future. In the event that new taxes or fees are imposed on companies, other than the current ones, this would adversely and materially affect the Group's business, financial position, results of operations and prospects.

For example, any potential future VAT increase may reduce the level of demand for the Group's products or affect its profitability, which would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.9 Risks Related to Energy and Water Prices

The Council of Ministers issued Resolution No. 95, dated 17/03/1437H (corresponding to 28/12/2015G), in order to raise the prices of energy products and electricity, water and sanitation service tariffs for the residential, commercial and industrial sectors, as part of the Kingdom's policies aimed at rationalizing energy consumption and reducing Government subsidies. The Ministry of Energy issued a statement on 24/03/1439H (corresponding to 12/12/2017G) regarding the Fiscal Balance Program plan to reform the prices of energy products, effective as of 14/04/1439H (corresponding to 01/01/2018G). The Group's operations both in the Kingdom and other markets in which it operated depend on the availability of energy, electricity and water products. Hence, any interruption or reduction in the supply of these products or any increase in the prices of such products would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.3.10 Risks Related to Compliance with the Environmental Law

The Group's activities are subject to a broad set of laws and regulations relating to the protection of the environment. Such laws include the management of pesticides and associated hazardous waste, the acquisition of permits for water use and effluents disposal and the approval of environmental impact assessments. The Group could be exposed to fines and administrative penalties in addition to the obligation to remedy the adverse effects of its operations on the environment and to indemnify third parties for damages.

The Group has incurred, and will continue to incur, capital and operating expenditures to comply with these laws and regulations. Because of the possibility of unanticipated regulatory measures or other developments, particularly as environmental laws become more stringent, the amount and timing of future expenditures required to maintain compliance could increase from current levels and could adversely affect the availability of funds for capital expenditures and other purposes. Compliance with existing or new environmental laws and regulations, as well as obligations in agreements with public entities, could result in increased costs and expenses. As such, environmental compliance and remediation could result in substantially increased capital requirements and operating costs which could adversely affect the Group's business, results of operations, financial position and prospects.

2.3.11 Risks Related to Compliance with the Corporate Governance Regulations

The Company's Board of Directors approved the adoption of the Company's Corporate Governance Manual on 20/10/1444H (corresponding to 10/05/2023G). The manual includes rules and procedures formulated based on the Corporate Governance Regulations issued by the CMA. The success of the Company in correctly applying the governance rules and procedures will depend on the awareness, understanding, and proper implementation of these rules and procedures by the Board of Directors, its committees, and the Company's executive officers. This is particularly relevant to the composition of the Board and its committees, independence requirements, and rules related to conflicts of interest and transactions with Related Parties.

The Company's Ordinary General Assembly approved the Audit Committee Charter on 17/03/1429H (corresponding to 25/03/2008G), which was amended on 20/10/1444H (corresponding to 10/05/2023G). The Ordinary General Assembly also approved the Nomination and Remuneration Committee Charter on 13/02/1439H (corresponding to 02/11/2017G), which was amended on 20/10/1444H (corresponding to 10/05/2023G). If the members of these committees fail in their duties and do not adopt positions that ensure the protection of the Company's and its Shareholders' interests, the latter will affect compliance with corporate governance requirements, ongoing disclosure requirements, and the Board of Directors' ability to oversee the Company's operations through these committees, which may have a material adverse effect on the Company's business, results of operations, financial position and prospects.

If the Company fails to comply with the provisions of the Corporate Governance Regulations and does not adopt a clear methodology for corporate governance in line with the instructions of the Corporate Governance Regulations issued by the CMA, which ensures the protection of the Company's and its Shareholders' interests, the latter would have a material adverse effect on the Company's operations. Additionally, the Company will incur violations and fines due to non-compliance with the Corporate Governance Regulations, which will adversely affect its results of operations, financial position and prospects.

2.4 Risks Related to the Offer Shares

2.4.1 Risks Related to Liquidity and Fluctuation in the Price of Shares

Investors may be unable to resell their shares (including Rights Shares) at or above the Offering Price. The market price of shares may, after the Offering, be adversely affected by factors within or outside the Group's control, including, but not limited to, a change in the Group's operating results, market conditions, or government regulations.

Eligible shareholders must recognize that the value of an equity investment (including Rights Shares) may decline or rise, and the market price of equities may be volatile and subject to significant fluctuations due to changing market sentiment in terms of equities. From time to time, equity markets have experienced large fluctuations in prices and volume, which affected the market prices of securities but were not relevant to the Group's performance or the prospects of its activities. Furthermore, the Group's operating results and prospects may from time to time be less than those of market analysts and overall market conditions. Any of these events may lead to a decline in the market price of equities.

2.4.2 Risks of Potential Fluctuations in the Price of Rights Shares

The market price of Rights related to the Group's shares may significantly fluctuate due to changing trends in the Saudi Stock Exchange (Tadawul). These fluctuations may be significant due to the difference between the authorized price change limit for trading in price of Rights (i.e. (10.0%) more or less than closing price for the previous day), as compared to the authorized price change limit for trading in the Group's Shares. Furthermore, since the price of Rights depends on the Group's trading price and the potential market price of the Rights Shares, these factors, in addition to the aforementioned liquidity and volatility factors, may affect the price of Rights. The sale of a large number of shares on Tadawul, or expected sale of a large number thereof, would have an adverse impact on Tadawul's share prices in general and the Group's shares in particular.

2.4.3 Risks Related to Lack of Demand for the Group's Rights and Shares

There is no guarantee that there will be sufficient demand for the Group's Rights during the Trading Period enabling the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and realize a profit, or enable them to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Rump Shares by investors during the Rump Offering Period. In case Institutional Investors do not subscribe for the Rump Shares at a high enough price, the compensation amount may not be sufficient enough to be distributed to the holders of unexercised Rights. Moreover, there can be no assurances that there will be sufficient market demand for Rights Shares purchased by Subscribers either (a) through exercise of the Rights, (b) during the Rump Offering, or (c) in the open market.

2.4.4 Risk Related to a Failure to Distribute Dividends

Dividend distribution in the future will depend on a number of factors, including the financial position, future profits, capital requirements, distributable reserves, general economic conditions, and any other related factors which the Board of Directors deems important from time to time. As such, the Group does not guarantee the distribution of any future dividends. In particular, the Group plans to undertake a distribution in kind of all of the shares that it currently holds in Almarai. The Group's ability to undertake that distribution is subject to securing the necessary approvals from the relevant regulatory authorities and also from shareholders at an extraordinary general meeting. There can be no guarantee that the distribution of the Almarai stake to the Group's shareholders will proceed in the manner that is currently expected. If the distribution does not take place as expected, then this may have a material and adverse impact on the Group's share price.

2.4.5 Risks Related to Dilution of Ownership

If Eligible Shareholders do not subscribe to the Rights by the end of the Offering Period, their shareholding percentage and voting rights will be reduced. Eligible Shareholders subscribing to all the Rights by the end of the Subscription Period may be subject to a reduction in their shareholding in the Group, as their entitlements will be rounded to the nearest whole number of Rights Shares. However, these Shareholders will still be able to subscribe to additional Rights that will enable them to maintain or increase their proportionate shareholding in the Group. There is also no assurance that Eligible Shareholders who have not sold their Rights during the Trading Period will receive sufficient compensation for lower ownership in the capital of the Group as a result of the capital increase.

2.4.6 Risks Related to Trading in Rights

Speculation relating to the Rights Issue may cause material losses. The price change limit allowed for the trading of the Rights (the indicative value of the share) exceeds the percentage of the shares' prices (by 10% upward or downward). There is also a direct correlation between the Group's share price and the share's indicative value. Accordingly, the daily price limits for the trading of a Right will be affected by the daily price limits for share trading.

When a speculator fails to sell the Rights before the end of the Trading Period, said speculator will have two options: either exercise these rights to subscribe to the New Shares before the end of the Subscription Period or not exercise them. In the event of not exercising the Rights, the speculator will be forced to exercise these Rights to subscribe for Rights Shares and may incur some losses. Thus, investors should review the full details of the mechanism for listing and trading Rights and New Shares and the functioning method thereof. In addition, they should be aware of all the factors affecting them, to ensure that any investment decision is based on complete awareness and understanding.

2.4.7 Risks Related to a Failure to Exercise the Rights in a Timely Manner

The subscription period will start on [•] H (corresponding to [•] G) and end on [•] H (corresponding to [•] G). Rights holders and financial brokers representing them should take the appropriate exercise measures to comply with all required instructions for rights and certificates to be received prior to the expiry of the Offering Period. If the Rights holders and financial brokers are not able to properly comply with the procedures for subscription to the Rights, the subscription application form may be rejected (please refer to Section 13 ("**Details on Shares and Offering Terms and Conditions**") of this Prospectus). If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Offering Period, according to the Rights held thereby, there can be no assurance that compensation will be distributed to the Eligible Persons who failed to subscribe or did not properly follow subscription procedures, which will in turn lead to a decrease in their shareholding.

2.4.8 Risks Related to Forward-Looking Statements

Some of the data in this Prospectus is comprised of forward-looking statements that contain known and unknown risks and some uncertainties that affect the Group's results. This data includes, but is not limited to, information on the financial position, business strategy, plans and future objectives of the Group (please refer to Section 4 ("**Overview of the Group and Nature of its Business**") and Section 7 ("**Management Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus) (including the Group's development plans and business objectives). If any of the assumptions are incorrect or invalid, the actual results may differ materially from those reported in this Prospectus, which would result in investors losing their investment in the Group's shares.

2.4.9 Risks Related to Shareholders' Lack of Awareness of the Trading Mechanism and Exercise of Rights

The trading of Rights comprises a new market for investors on Tadawul. Many investors may not know much about the mechanism for trading such Rights, which will adversely affect their willingness to invest in and trade in such Rights. Accordingly, investors' shareholding in the Group will decrease, which will cause harm to those who have not exercised their subscription rights, especially if no compensation is distributed thereto when investors fail to offer high enough prices for the Rump Shares.

2.4.10 Risks Related to the Possibility of Issuing New Shares in the Future

The Group currently has no future plans to issue new shares (other than Rights Shares provided for herein). However, if the Group decides to increase its capital by issuing new shares, and the existing shareholders fail to exercise their rights when issuing new rights, their ownership of shares will decrease proportionately and the same applies to their voting and dividend rights. Any additional offering may have a material impact on the shares' market price.

2.4.11 Risks Related to the Uncertain Compensation of Eligible Persons

The Subscription Period will start on [•] H (corresponding to [•] G) and end on [•] H (corresponding to [•] G). Eligible Persons and financial brokers representing them shall take appropriate measures to comply with all the required instructions and to subscribe to the Rights Shares before the end of the Offering Period. Where Eligible Persons are not able to properly exercise their subscription rights by the end of the Offering Period, according to the Rights held thereby, there can be no assurance that compensation will be distributed to the Eligible Persons who failed to participate or properly subscribe to the Rights Shares.


Afia

3.
MACROECONOMIC OVERVIEW OF THE MENA REGION AND GCC COUNTRIES

3. MACROECONOMIC OVERVIEW OF THE MENA REGION AND GCC COUNTRIES

Growing population, rapid urbanization, favorable demographic shifts and rising consumer incomes position MENA as a high-potential region for packaged food products

In 2023G, the MENA region registered a total population of more than 558 million, representing about 7% of the global population, with considerable growth that outpaces other parts of the world.[1] Indeed, between 2018G and 2023G, the region's population has grown at a compound annual growth rate (CAGR) of 1.5%, surpassing the 0.9% global average. The contrast becomes even more striking when compared with the stagnant rates of 0.5% and 0.4% observed in developed markets such as North America and Western Europe, respectively.[2] This trend is expected to continue over the forecast period, with a 2024G-2030G CAGR of 1.2% (still above the projected global CAGR of 0.8%), therefore leading to a regional population of 606 million[3] individuals by year 2030G. As life expectancies are increasing globally, forecasted growth for young consumers (below 30 years) is expected to be slower than total population growth in the MENA region as well as worldwide. Nonetheless, the projected 0.4% CAGR between 2024G and 2030G in MENA remains above the global rate of 0.1% for young consumers. The MENA region's nominal GDP recorded a five-year CAGR of 4.4% between 2018G and 2023G, a significantly higher rate than the global GDP CAGR of 3.9%. This converts to a 2.9% GDP per capita CAGR over the historic period for the MENA region, compared to a similar 2.9% GDP per capita growth globally.[4] Continuing the momentum of socioeconomic development, the region's GDP per capita is projected to experience a further 3.2% CAGR between 2024G and 2030G.[5]

The MENA region's favorable trends are supported by its solid economic performance, attributed to the economic diversification efforts of oil-rich countries such as Saudi Arabia and the UAE to limit reliance on oil. In addition, leading countries are prioritizing social policies to combat unemployment, establish social security programmers and promote women's empowerment and inclusion. This favors the prospects of young consumers[6] and significant societal shifts, including rapid urbanization, increased female labor force participation and the rise of single and two-income households.[7] These factors combined led to a progressive increase of average incomes, resulting in the expansion of the average spending power of consumers in the region.[8]

1 Euromonitor International, Economies and Consumers, 2024.

2 Ibid.

3 Ibid.

4 Ibid.

5 Ibid.

6 As of 2023G, 287 million (51.4% of the region's population) are under 30 years old, which is expected to reach more than 296 million by 2030G. This share is expected to decrease, but will remain significantly above the global split of 45.6% and even more above shares in developed markets, such as North America (35.3%) and Western Europe (32.5%), by 2030G.

7 Urbanisation in MENA increased by a historic (2018G-2023G) CAGR of 2.0% vs a global average of 1.7% and vs developed markets of below 1.0% (0.7% in North America and 0.8% in Western Europe in the same period), while female employment remains low as of 2023G, at only around 26.6% - one of the lowest in the world. Average household sizes have contracted at a CAGR of 0.9%, faster than the global pace of 0.8%, during 2018G-2023G, while single-person households have grown by a CAGR of 5.4%, significantly higher than the 3.8% global figure, during the same period.

8 The MENA region's GDP per capita, standing at SAR31,547.2 (USD8,412.6) in 2023G, has grown at a CAGR of 2.9% comparable to the global pace. In addition, consumer expenditure in the MENA region has experienced robust growth, at a CAGR of 4.9%, of which its consumer expenditure on food has grown even more considerably, at a CAGR of 5.3%, notably higher than the corresponding global growth rates of only 3.8% and 4.3%, respectively, over the review period.

Table (3.1): Nominal GDP (SAR Billion) and Nominal GDP per Capita (SAR) – Global Comparison in the Period 2018G–2030G[9]

Country / region	2018G	2023G	2030G	CAGR 2018G-2022G	CAGR 2024G-2030G
World (SAR billion)	323,848.9	392,034.7	545,800.1	3.9%	5.0%
Per capita (SAR)	42,433.8	49,042.0	64,327.5	2.9%	4.1%
MENA (SAR billion)	14,189.8	17,607.9	23,143.2	4.4%	4.4%
Per capita (SAR)	27,354.6	31,547.2	38,191.5	2.9%	3.2%
GCC (SAR billion)	6,422.8	7,953.5	11,586.3	4.4%	5.6%
Per capita (SAR)	121,979.1	139,712.1	187,469.2	2.8%	4.4%

Table (3.2): Population (Million): Global Comparison for the Period 2018G–2030G

Country / region	2018G	2023G	2030G	CAGR 2018G-2022G	CAGR 2024G-2030G
World	7,631.9	7,993.9	8,484.7	0.9%	0.8%
MENA	518.7	558.1	606.0	1.5%	1.2%
GCC	52.7	56.9	61.8	1.6%	1.1%

Table (3.3): Consumer Expenditure and Consumer Expenditure on Food for the Period 2018G-2030G

Country / region	2018G	2023G	2030G	CAGR 2018G-2022G	CAGR 2024G-2030G
World (SAR billion)	178,768.6	215,709.1	300,950.4	3.8%	5.0%
On food (SAR billion)	24,731.8	30,510.2	43,042.2	4.3%	5.4%
MENA (SAR billion)	6,959.0	8,838.1	11,070.6	4.9%	4.1%
On food (SAR billion)	1,490.9	1,934.3	2,335.4	5.3%	3.7%
GCC (SAR billion)	2,382.7	3,128.6	4,649.0	5.6%	5.9%
On food (SAR billion)	377.2	493.8	702.4	5.5%	5.3%

Source: Euromonitor's Economies and Consumers database (2024) from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS), current prices.

9 All global comparisons are based on current prices in USD/exchange rates on an annual basis and the exchange rate pegged to the USD at USD 1 = SAR 3,75.

3.1 Kingdom of Saudi Arabia

Saudi Arabia's demographic trends and robust economic growth imply a variety of opportunities across various consumer sectors

Within the MENA countries, Saudi Arabia continues to hold its dominant position, with its population reaching nearly 32.7 million in 2023G, comprising over 5.9% of the MENA population.[10] Projections indicate that by 2030G, the Saudi population is expected to reach 35.8 million, representing 5.9% share of the MENA total.[11] In addition, the Kingdom is experiencing a rapid urbanization trend, with its urban population reaching 84.7% in 2023G.[12] Additionally, 43.8% of its population are under 30 years old.[13]

There also has been a contraction in the average household size, declining from 4.4 people in 2018G to 3.5 people in 2023G.[14] This pattern is exemplified by a contraction in the CAGR of 4.4% over the historic period and stands in contrast to the smaller 3.4% decrease observed for the GCC region as a whole.[15] Furthermore, the transition to more developed market lifestyles in Saudi Arabia, particularly evident among young consumers, has played a role in the increase in single-person households as well as couples without children households. Collectively, these two types account for 22.5% of the Kingdom's total households in 2023G, an increase from the figure of 21.4% in 2018G.[16] These significant demographic and household changes taking place in the Kingdom present attractive opportunities for the food and retail industry in Saudi Arabia. For example, this transformation is fueling the expansion of demand for products such as convenient packaged foods, takeaway and accessible foodservice providers to meet the urban lifestyles prevalent in fast-paced environments and match a consumer base of people who have ample financial resources but limited time availability.

KSA's consumer expenditure on food also takes a significant share, accounting for 60.5% of the GCC total in 2023G, showing a CAGR growth of 5.4% since 2018G.[17] Particularly, consumers have shown strong demand for staple items like oils and fats, as well as sugar and confectionery, which have experienced CAGR rates of 5.6% and 5.3%, respectively, during this period. In the forecast period (2024-2030), continued robust demand is still expected for these products, driven by value-added offerings such as healthier oil variants, and sweeteners and confectionery available in smaller pack sizes, among others. These favorable demographic and consumer trends have greatly benefited from Saudi Arabia's economic performance. Indeed, in 2023G, the Kingdom's total GDP reached SAR 4,059.3 billion (USD 1,082.5 billion), after witnessing a 5.0% CAGR over 2018G-2023G.[18] The Kingdom's economic outlook remains positive, with nominal GDP showing a 5.3% CAGR between 2024G and 2030G.[19] In addition, the GDP per capita is also poised for continued growth, projected to reach SAR 164,445.3 (USD 43,852.1) by 2030G following a CAGR of around 4.0% from 2024G.[20] Moreover, the unemployment rate is forecast to remain stable at around 3.8-3.9% during the 2024G-2030G period, a lower number than the forecast rate of 4.8% for the MENA region as a whole.[21]

These developments are supported by the Saudi government's ongoing economic diversification efforts such as Vision 2030, focusing on non-oil sectors such as tourism, entertainment, technology and renewable energy. Moreover, government initiatives to promote local production have produced considerable benefits for the economy at large. These programs allow local producers to showcase their products to consumers and access to industry training and experts to foster investments and talents to further develop local production. In addition the use of the "Made In Saudi" logo on products, both locally and for export markets, promote the quality and the credibility of the products to potential production and distribution partners.

10 Ibid.
11 Ibid.
12 Ibid.
13 Ibid.
14 Ibid.
15 Ibid.
16 Ibid.
17 Ibid.
18 Ibid.
19 Euromonitor International, Economies and Consumers, 2024.
20 Ibid.
21 Ibid.

In recent years, the tourism sector has emerged as a new avenue for economic contribution in the Kingdom. In 2023G, total domestic and international tourists' spending reached over SAR250 billion (USD66.7 billion), with the sector contributing more than 4.0% of the Kingdom's total GDP and approximately 7.0% of its non-oil GDP.[22] As part of Vision 2030, the Saudi government aims to attract 150 million tourists per annum, including around 80 million domestic tourists (a slight increase from the 79.2 million welcomed in 2023G and the 77.8 million welcomed in 2022G) and 70 million international tourists (a considerable increase compared to the 27 million welcomed in 2023G and the 16.6 million welcomed in 2022G).[23] In 2023G, religious pilgrimage to Hajj and Umrah accounted for 45% of total visitors[24]. These religious events represent a great business opportunity for food manufacturers and retailers. Mega-projects like NEOM, The Red Sea Project, and Qiddiya, alongside major international events including the Saudi Cup Horse Race, the Saudi Formula 1 Grand Prix, the PGA European Tour, and WWE Crown Jewel, are poised to make considerable contributions to the Kingdom's tourism objectives.[25] These ambitious growth targets are expected to produce favorable results in several sectors in the Kingdom, including hospitality and accommodation, consumer foodservice and modern retail.

Table (3.4): Key Macroeconomic Indicators in the Kingdom of Saudi Arabia, 2018G-2030G

Category	Data Type	2018G	2022G	2023G	2024G	2030G	CAGR 2018G-2022G	CAGR 2024G-2030G
GDP[26]	SAR billion	3,174.7	4,157.1	4,059.3	4,314.7	5,893.6	5.0%	5.3%
Real GDP growth	%	2.8%	8.7%	0.5%	2.7%	2.5%	-	-
Inflation rate	%	2.0%	2.5%	2.3%	2.3%	2.1%	-	-
Total population	Million	30.2	32.2	32.7	33.1	35.8	1.6%	1.3%
Young population (0-29 years)	Million	14.5	14.4	14.3	14.3	14.3	0.2%	0.1%
Urbanization rate	%	83.7%	84.5%	84.7%	84.8%	85.9%	-	-
Unemployment rate	%	3.8%	3.6%	3.5%	3.9%	3.8%	-	-
Number of households	Million	6.9	8.9	9.3	9.7	11.4	6.2%	2.7%
Single-person and couple without children households	Million	1.5	2.0	2.1	2.2	2.7	7.4%	3.4%
Consumer expenditure	SAR billion	1,245.3	1,497.8	1,601.0	1,684.3	2,295.8	5.2%	5.3%
Consumer expenditure on food	SAR billion	230.1	280.5	298.8	312.5	412.3	5.4%	4.7%
Consumer expenditure on oils and fats	SAR billion	8.9	10.9	11.6	12.2	16.2	5.6%	4.9%
Consumer expenditure on sugar and confectionery	SAR billion	13.1	15.8	16.9	17.7	23.8	5.3%	5.0%

Source: Euromonitor's Economies and Consumers database (2024) from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS), current prices.

22 Asharq Al-Awsat. 2024.
23 These goals are supported by several initiatives, including the implementation of effective policies such as the e-visa system initially available to citizens from 49 countries in 2019G, expanding to 63 countries by 2023G along with ongoing initiatives such as the unveiling of UNESCO World Heritage sites and the development of resorts along the Red Sea coast, and many others, are expected to further support these objectives: Asharq Al-Awsat. 2023; Skift. 2024 and Fast Company Middle East, 2023 and Ministry of Tourism: Tourist Statistics.
24 AGBI, 2024.
25 International Trade Administration (ITA). 2024.
26 Nominal GDP, applicable to all country tables.

3.2 United Arab Emirates

The UAE's consumer market, driven by high GDP per capita and urbanization, offers diverse opportunities for value-added products, with tourism boosting growth forecasts

The UAE, despite its relatively small population, stands out as a promising consumer market for value-added products, largely driven by its high GDP per capita, standing at SAR197,902.7 (USD52,774.0) in 2023G. Thus, it is projected to reach SAR 279,774.5 (USD 74,606.5) by 2030G – positioned as the second highest in the MENA region. Moreover, it boasts high urbanization, standing at 88.4% in 2023G and projected to reach 89.6% in 2030G.[27] The combination of these indicators reflects the country's strong, stable and diversified economy, with non-oil sectors such as trade, tourism and real estate contributing more and significantly to the overall economy. Indeed, in 2023G, the non-oil sectors experienced year-on-year growth of over 6.0%,[28] surpassing the country's overall GDP growth rate of 3.3%.[29] These present opportunities for value-added products catering to busy, high-quality lifestyles with convenience and health benefits, such as ready-to-eat healthy frozen meal options or easy to prepare and consume snacks.

Furthermore, the UAE boasts a predominantly expatriate population from diverse backgrounds, spanning South Asia, Southeast Asia, the Middle East and Europe.[30] The demographic diversity creates an opportunity for companies to offer a range of products catering to different cultural preferences, including demand for ethnic cuisines, imported specialty items and premium gourmet foods aligned with the preferences of high-income expatriates.

Particularly, the tourism and travel sector in the UAE, contributing about 12.1%[31] to the country's total GDP in 2023G, also offers significant opportunities for various industries, including food, foodservice and retail, due to its large customer base. Specifically, in 2023G, the UAE welcomed nearly 17.2 million overnight visitors,[32] setting a record high, while Dubai International Airport served 86.9 million passengers,[33] ranking among the world's busiest airports. This tourism boom is fueling growth of the country's catering expenditure, recording a CAGR of 9.6% over 2018G-2023G, outpacing the growth rates of food spending and overall consumer expenditure in the UAE.[34] The rising expenditure trend is expected to continue, contributing to a projected CAGR of 6.0% in nominal GDP from 2024G to 2030G, almost double the rate achieved over 2018G-2023G.[35]

Table (3.5): Key Macroeconomic Indicators in the United Arab Emirates, 2018G-2030G

Category	Data Type	2018G	2022G	2023G	2024G	2030G	CAGR 2018G-2022G	CAGR 2024G-2030G
GDP	SAR billion	1,601.4	1,901.5	1,911.8	2,008.6	2,844.0	3.6%	6.0%
Real GDP growth	%	1.3%	7.9%	3.3%	3.0%	3.6%	-	-
Inflation rate	%	3.1%	4.8%	2.9%	2.3%	2.0%	-	-
Total population	Million	9.4	9.6	9.7	9.7	10.2	0.6%	0.7%
Young population (0-29 years)	Million	3.8	3.1	3.2	3.2	3.3	-3.6%	0.5%
Urbanization rate	%	87.2%	88.2%	88.4%	88.6%	89.6%	-	-
Unemployment rate	%	2.2%	2.6%	2.7%	2.6%	2.5%	-	-

27 Euromonitor International, Economies and Consumers, 2024.
28 Reuters. 2024.
29 Euromonitor International, Economies and Consumers, 2024.
30 Ibid.
31 UAE Government Portal: Tourism Statistics. 2024.
32 Dubai Tourism (Government of Dubai). 2023 Performance Report.
33 The Washington Post. 2024.
34 Euromonitor International, Economies and Consumers, 2024.
35 Ibid.

Category	Data Type	2018G	2022G	2023G	2024G	2030G	CAGR 2018G-2022G	CAGR 2024G-2030G
Consumer expenditure	SAR billion	658.9	911.2	976.4	1,036.2	1,527.7	8.2%	6.7%
Consumer expenditure on food	SAR billion	71.6	102.2	107.1	111.9	156.2	8.4%	5.7%
Consumer expenditure on oils and fats	SAR billion	2.4	3.4	3.5	3.7	5.1	8.2%	5.6%
Consumer expenditure on sugar and confectionery	SAR billion	4.4	6.4	6.7	7.0	9.7	8.6%	5.6%

Source: Euromonitor's Economies and Consumers database (2024) from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS), current prices.

3.3 Egypt

Egypt's growing youthful population drives its consumption, especially of locally-produced goods and staples, amidst inflationary challenges stemming from its currency devaluation

Egypt remains a significant consumer market in the MENA region due to its large, youthful population. In 2023G, its population reached approximately 104.3 million, with 56.4% under 30 years old, which is projected to grow to 114.4 million by 2030G, with over 55.0% under 30, outpacing the expansion rate projections for both indicators in MENA.[36] In the meantime, the country's urban population is expected to reach 44.8% of the total by 2030G, up from 43.1% in 2023G.[37]

The country's nominal GDP 2018G-2023G CAGR stood at 4.7% (3.1% in GDP per capita terms), surpassing the MENA region's averages.[38] However, Egypt has faced difficulties, particularly in 2022G and 2023G, driven by the devaluation of the Egyptian pound (EGP), leading to record-high inflation rates of 13.9% in 2022G and 33.9% in 2023G.[39] This inflation surge has eroded the real value of disposable incomes, impacting the purchasing power of many Egyptians. Consequently, spending on essentials, particularly food, has increased at a higher rate (CAGR of 5.5%) than the overall consumer expenditure (CAGR of 4.3%) and spending on staples such as oils and fats, and sugar and confectionery, has experienced even stronger growth, recording CAGRs of 5.7% and 5.6%, respectively, from 2018G to 2023G.[40]

Manufacturers producing domestically are benefiting from these developments, as the depreciated local currency has led to significant price hikes for imported goods. Furthermore, the government's aim to bolster local manufacturing capabilities, increase exports and reduce import dependency has been materializing via a number of initiatives actively supporting local production, such as the "Proudly Made in Egypt" campaign[41] and the "National Initiative for Industry (Ebda)" program.[42]

With a range of policies already implemented (e.g. interest rate adjustments and subsidies on essential goods such as bread and cooking oil),[43] and longer-term strategies such as promoting domestic production and enhancing infrastructure to improve the business climate under Egypt Vision 2030,[44] the country's economy is anticipated to rebound in the upcoming years. Projections indicate a slowdown in inflation to 20.2% in 2024G, eventually stabilizing around 5.1% by 2030G, driving substantial growth as evidenced by an estimated 7.1% CAGR for total GDP and a corresponding 5.7% CAGR for GDP per capita between 2024G and 2030G.[45]

36 Euromonitor International, Economies and Consumers, 2024.
37 Ibid.
38 Ibid.
39 Ibid.
40 Ibid.
41 These initiatives are meant to develop the local industry by increasing local production components, providing raw materials, offering incentives such as land and tax exemptions and encouraging modern technologies, among others. Egypt Today. 2017.
42 State Information Service. 2022.
43 Reuters. 2022.
44 U.S. Department of State. 2023.
45 Euromonitor International, Economies and Consumers, 2024.

Table (3.6): Key Macroeconomic Indicators in in Egypt, 2018G-2030G

Category	Data Type	2018G	2022G	2023G	2024G	2030G	CAGR 2018G-2022G	CAGR 2024G-2030G
GDP	SAR billion	982.1	1,531.2	1,235.9	1,102.3	1,661.0	4.7%	7.1%
Real GDP growth	%	5.3%	6.7%	3.8%	3.5%	5.2%	-	-
Inflation rate	%	14.4%	13.9%	33.9%	20.2%	5.1%	-	-
Total population	Million	96.3	102.9	104.3	105.7	114.4	1.6%	1.3%
Young population (0-29 years)	Million	55.2	58.2	58.8	59.4	62.9	1.3%	1.0%
Urbanization rate	%	42.7%	43.0%	43.1%	43.3%	44.8%	-	-
Unemployment rate	%	4.8%	3.5%	3.7%	3.6%	3.3%	-	-
Consumer expenditure	SAR billion	843.3	1,294.1	1,040.2	914.4	1,239.1	4.3%	5.2%
Consumer expenditure on food	SAR billion	281.9	461.2	368.4	316.3	427.5	5.5%	5.1%
Consumer expenditure on oils and fats	SAR billion	25.8	42.6	34.0	29.2	39.4	5.7%	5.1%
Consumer expenditure on sugar and confectionery	SAR billion	16.1	26.5	21.2	18.2	24.5	8.6%	5.1%

Source: Euromonitor's Economies and Consumers database (2024) from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS), current prices.

3.4 Sector Analysis

3.4.1 Edible Oils: Saudi Arabia and Egypt

In 2023G, the Saudi Arabian market for edible oils continues to witness growth, attributed to the Kingdom's growing and increasing population, and rising disposable incomes, both factors fueling the growth of demand for out-of-home dining and HORECA spending.[46] Another growth driver is tourism; on top of the established and expanding Hajj and Umrah tourism, Saudi Arabia is also experiencing a growing leisure segment.[47] Within the edible oils category, sunflower oil and corn oil remain notably popular and benefit from these developments. Especially sunflower oil is additionally benefiting from its relative affordability. Premium oils, especially olive oil on the other hand remain a niche in volume terms, but benefit from premium pricing in value terms.

While there is growing demand for such higher-value products among a small group of consumers, especially those boasting health benefits, the vast majority of consumers remain traditionally susceptible to price promotions and value for money, benefiting products combining quality with affordability.[48] Local brands, such as the country's leading edible oil brand, Afia from Savola Foods Company, are benefiting from these developments. The competitive landscape for edible oils in Saudi Arabia reflects these preferences, with Savola Group maintaining market leadership, followed by IFFCO Group.[49]

46 Euromonitor International analysis based on primary and secondary research.
47 Ibid.
48
49 Ibid.

In 2023G, most countries in the MENA region, including KSA and Egypt, value chains were impacted by continued geopolitical tensions in Eastern Europe and the Red Sea. **Egypt** however, saw additional pressure through an inflationary environment. The heightened consumer preference for more economical options, such as blended oils, over traditional favorites like pure sunflower and corn oil, has captured the interest of major manufacturers.[50] Consequently, major producers like Arma Food Industries Ltd and Savola Group, alongside smaller players, have also focused more on blended oil offerings, positioning them as cost-effective alternatives suitable for various dishes.[51]

3.4.2 Vegetable Ghee and Margarine: Saudi Arabia

Within the vegetable ghee and margarine market, sales are largely driven by healthy perceptions, particularly following the Saudi Food and Drug Authority's (SFDA) complete ban on partially hydrogenated oils (PHOs) in 2018G, effective since 2020G.[52] Consequently, all vegetable ghee and margarine products in the market are now non-hydrogenated, alleviating consumer concerns regarding trans-fats in hardened vegetable fats such as ghee and margarine. Within the category, vegetable ghee dominates, driven by fitness-focused Saudis, who are increasingly drawn to it for its perceived health benefits, such as absence of trans-fat, improved digestion and muscle-building properties.[53] The category is thereby benefiting from an upcoming trend of prioritizing quality over price among health-conscious consumers. Key players in this category are Savola (with its margarine products) and International Foodstuffs Co. (IFFCO) with vegetable ghee and margarine products.

3.4.3 Sugar and Sweeteners: Saudi Arabia and Egypt

Sugar consumption in Saudi Arabia is traditionally among the highest globally, with sugar being consumed on a daily basis at home and through foodservice. The **Saudi Arabia** sugar market remains relatively concentrated, with Al-Osra brand (Savola Group) dominating the local market. Recently, Albayt (Durrah Advanced Development Co.) has also been gaining ground in the market.[54]

With Saudi government's regulations on sugar-containing products are also educating consumers about their adverse effects,[55] the market is also witnessing growing interest in non-sugar sweeteners including natural and artificial alternatives, particularly in the retail sector. Stevia for example, is benefiting from this trend in Saudi Arabia and throughout the GCC region. Nonetheless, sugar still dominates the category, with an estimated value share of over 90%. While volume growth is supported by sales promotions, like price discounts, value growth is benefiting from portion-control packaging, single-use sachets, and new product formats / variants, like icing sugar etc.

In contrast, the sweetener sub-market has become increasingly fragmented, with local and foreign brands entering with different low-calorie offerings. The market is dominated by foreign brands like Steviana, Tropicana Slim, and Canderel. Local giant Savola Group has also introduced, products in this sub-segment with its Al-Osra Sweet & Fit Low-Calorie Sweeteners.

The **Egyptian** market for sugar and sweeteners remains relatively stable. This stability is attributed to the country's sufficient domestic production, which satisfies most of the local consumption demand, including the government subsidy system. Generally, the market is still largely dominated by white refined sugar and the sweeteners segment remains limited, with imported brands dominating and often sold at high prices, despite a growing trend towards health consciousness among local customers.

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50 Ibid.
51 Euromonitor International analysis based on primary and secondary research.
52 Euromonitor International analysis based on primary and secondary research.
53 Ibid.
54 The factory's capacity is stated as 2,500 tons per day as of 2022 (Durrah Advanced Development Co: About us)
55 These include recent regulations prohibiting added sugar in mixed or fresh juice products, and the sale of sugary drinks and sweet confectionery in school canteens, clearly demonstrating its stance against sugar-rich offerings.

3.4.4 Pasta: Egypt

The pasta market in **Egypt** has been recently impacted by macro and socioeconomic challenges and increased competitiveness. However, with high inflation prompting consumers to seek more affordable and convenient options, pasta has also emerged as a popular choice.[56] The consumer demand for affordable pasta products in Egypt has intensified competition among existing and some new players. However, pasta also faces competition from adjacent categories, notably noodles, which offer even greater affordability and convenience[57] Nevertheless, pasta is considered a stable in Egypt and accessible as subsidized food through ration cards. As a result, designated government shops and traditional stores stock up on products from brands like Queen Company for macaroni, a company by the National Service Projects Organization (NSPO).[58] Nonetheless, leading players in the pasta market include Savola, with its El Maleka brand competing with Badawy Group for Food Industries with its Hawaa brand in the mass segment. Savola's Italiano brand compete mainly with Regina Pasta & Food Industries with its Regina brand in the premium segment.[59]

3.4.5 Processed Frozen Foods: Saudi Arabia

The frozen processed food market in Saudi Arabia has witnessed considerable growth post-COVID-19.[60] The rising female workforce participation has led to a surge in dual-income households and busier lifestyles, which is a key driver of the growing demand for convenient options such as ready-to-cook meals.[61] Major sub-categories, include processed chicken, processed fruits and vegetables, processed meat, seafood, dough based products, as well as ready to eat meals.[62]

Among these sub-categories, processed chicken has notably outperformed the overall category, primarily due to the popularity of chicken in the Kingdom. This sub-category has not only captured shares from fresh chicken, owing to its convenience, extended shelf life, and attractive price points, but also from frozen unprocessed chicken by offerings a wide range of options to meet the diverse needs of consumers. The most prominent among these options are chicken burgers and nuggets. Key players like Americana, Al Kabeer and Sadia dominate this sub-category and support expansion of the category through new formats, such as kebabs, franks, strips, flavored variants. There are two major growth opportunities within frozen food, one being reformulated meal options combined with child-friendly packaging (featuring superheroes and cartoon characters) to appeal to this upcoming high-potential demographic,[63] the other lying within new products developments imitating the restaurant taste and look, as consumers are increasingly eager to replicate the foodservice experience at home since COVID-19.

3.4.6 Healthy Snacks, Spices and Pulses: Saudi Arabia and the United Arab Emirates

Nuts and seed snacks, such as roasted peanuts and pistachios, have long been popular at gatherings and events in Saudi Arabia and the UAE, especially among adults, while experiencing a more recent uptake among younger consumers as a healthy substitute for more traditional snacks such as potato chips, puffed snacks and savory biscuits.[64] This trend extends to other GCC countries, where health concerns, prompted by high obesity and diabetes rates throughout the region, have translated into demand for guilt-free nutritious snacks, healthy options high in protein and nutrients such as fiber and vitamins.[65] Innovations in packaging, including smaller sizes and zip-lock bags for portion control and on-the-go consumption, along with new and varied flavoring are driving trends.[66] Attractive health claims like "**natural**" and "**organic**" are gaining traction.[67] Snack bars are also gaining traction, driven by increased consumer interest in healthy nutrition and fitness activities.[68]

56 Ibid.
57 Euromonitor International analysis based on primary and secondary research.
58 Ibid.
59 Ibid.
60 Euromonitor International analysis based on primary and secondary research.
61 Euromonitor International analysis based on primary and secondary research.
62 Euromonitor International analysis based on primary and secondary research.
63 Ibid.
64 Euromonitor International analysis based on primary and secondary research.
65 Ibid.
66 Ibid.
67 Ibid.
68 Ibid.

Within packaged nuts, seeds and trail mixes, the brands Best (Bestfood Co LLC) and Bayara (Savola Group) are dominating the UAE market.[69] As of 2023G, Baja (Baja Food Industries Co) and Mehbaj (Al Muhaidib Group) are among the market leaders in Saudi Arabia, driven by diverse product portfolios and broad availability.[70]

In Saudi Arabia, demand for spices through retail remains stable, while foodservice sales experience continued growth, attributed to the Kingdom's flourishing tourism sector.[71] Local producers continue to dominate the market, offering affordability and compatibility with local cuisines.[72] In the meantime, retail sales of spices in the UAE continue to see growth, driven by the country's large expatriate population, which demands a diverse range of spices for its native cuisines (mainly Arab and South-Asian). [73]

While the loose market through traditional channels and roasteries is relatively fragmented, there are some key players within the packaged market in Saudi Arabia as of 2023G with estimated shares of above or around 10%. Examples include Esnad Co Ltd, Mehran Spice & Food Industries and American Garden Products Inc. At the same time, there are also several smaller (often local) brands with minimal market share. [74] In the UAE, Savola's Bayara brand dominates the market, benefiting from loose and packaged sales in modern grocery retailers.[75]

Pulses are considered a staple among expatriates from Southern Asia. As both the UAE and KSA are home to large expatriate communities from India, Pakistan, Bangladesh, and increasingly Nepal, demand for pulses is traditionally high. Furthermore, the growing adoption of healthy diets, particularly plant-based among younger consumer segments, is fueling the demand for pulses, particularly lentils, chickpeas and beans, as an alternative protein source to meat, driven by their perceived health benefits.[76] The pulses market sees strong presence from established brands like Majdi from Majdi Food Company.

An upcoming brand in Saudi Arabia within the nuts, spices and pulses segments is Savola's Afia, which entered the market in 2022 and is expected to continue gaining shares in the coming years.

3.4.7 Grocery Retailing: Saudi Arabia

The grocery retailing market in Saudi Arabia, which covers both traditional trade and modern trade (including e-commerce), has seen robust growth in 2023G. Supermarkets and hypermarkets are key and act as one-stop solution for increasingly busy consumers by offering extensive product portfolios under one roof. They also offer value for money through frequent promotions and a growing selection of cost-effective products (including private label options, a segment still considered niche in Saudi Arabia), thereby catering to price conscious consumers: Especially lower-income consumers remain careful spenders, as they are often impacted by inflationary living costs, including housing. As a result, these consumers are increasingly compelled to visit modern grocery retailers if accessible, as they tend to offer lower prices, a broader selection and more discounts and offers than traditional retailers or specialty stores.[77] Supermarkets and hypermarkets currently account for about half of all value sales within grocery retailing in Saudi Arabia. The continued importance of small traditional grocery stores on the other hand is often due to their ease of access throughout urban and regional areas, allowing them to reach otherwise underserved communities.[78]

The modern grocery retailing segment in Saudi Arabia remains highly competitive although fairly concentrated, dominated by major players such as the leading grocery chain Panda (Savola Group), Othaim Markets (Abdullah Al-Othaim Markets Co), Danube (Bin Dawood Group), Farm Superstores (Saudi Marketing Co), Tamimi Markets (Tamimi Group) and Lulu (Lulu Group International LLC).[79] These leading chains have expansive networks across the Kingdom and collectively contribute to about two-thirds of the (modern) segment's total value sales in 2023G.[80]

69 Ibid.
70 Euromonitor International analysis based on primary and secondary research.
71 Ibid.
72 Ibid.
73 Ibid.
74 Ibid.
75 Ibid.
76 Ibid.
77 Euromonitor International analysis based on primary and secondary research.
78 Ibid.
79 Ibid.
80 Ibid.

Driven by growing smartphone adoption and a demand for convenience, online grocery retailing in Saudi Arabia has also surged, propelled by those major retailers' online channels in their omnichannel strategies as well as the growing number of delivery aggregators across the Kingdom.[81] DOOS, Nana, Ninja and TalabNOW are among the main grocery only apps currently operating across the Kingdom. Foodservice aggregators are also progressively expanding their services towards grocery delivery. Examples of the latter include Talabat and Hungerstation. The pandemic has notably accelerated the expansion of e-commerce, especially in the grocery sector, as consumers initially turned to online shopping for its convenience during lockdowns and eventually embraced it as a habitual practice.[82] In response to this shift, leading retailers have actively adapted their strategies. Initially, they compensated for losses in offline sales by bolstering their online presence.[83] Later, they recognized the potential of online platforms not only as sales channels but also as tools for regular customer engagement.[84] Through their websites and mobile apps, retailers have been able to interact more frequently with customers, providing notifications about sales and promotions, as well as offering loyalty point programs.[85] Additionally, the competitive delivery services offered by many aggregators offer the consumers the convenience to complete their shopping from the comfort of their home and retailers the ability to serve and reach consumers through these third party apps as well. Hence, while online grocery retailing is still in a nascent stage and accounts for a significantly lower share than in-store shopping, growth potential is expected to be higher.

3.4.8 Quick Service Restaurants (QSR): Saudi Arabia

The quick service restaurants (QSR) market has experienced considerable growth in recent years. This growth can be partly attributed to the resurgence of tourism, including not only religious but non-religious tourists, all drawn by the Kingdom's relaxation of rules to support inbound tourism and its expanded entertainment offerings.[86] Meanwhile, the Saudi government's efforts to promote female empowerment have led to increased female economic participation and, accordingly, higher disposable incomes as well as growing demand for convenient food options that can easily be incorporated into busy working lifestyles. Industry's focus going forward is on launching healthier options and off-premise offerings, both delivery and takeaway services, to meet evolving consumer preferences.[87]

These favorable developments have increased competition among numerous players, ranging from international giants such as McDonald's and KFC to local favorites such as Al Baik and Herfy. The latter is considered a leading local brand driven by its high number of outlets across the kingdom.[88]

81 Ibid.
82 Ibid,
83 Euromonitor International analysis based on primary and secondary research.
84 Ibid.
85 Ibid.
86 Ibid.
87 Ibid.
88 Euromonitor International analysis based on primary and secondary research.

4.
OVERVIEW OF THE COMPANY AND THE NATURE OF ITS BUSINESSES

4. OVERVIEW OF THE COMPANY AND THE NATURE OF ITS BUSINESSES

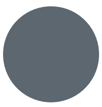
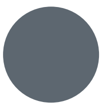
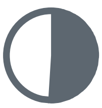
4.1 Overview of the Company

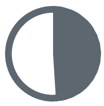
Savola Group Company (the "**Company**" or "**Savola**") is a Saudi joint stock company, with Commercial Register No. 4030019708 issued in the city of Jeddah on 21/07/1399H (corresponding to 16/06/1979G). The head office of the Company is located in the city of Jeddah, Prince Faisal Ibn Fahd Road, Ashati District, 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333, Kingdom of Saudi Arabia.

The Company's current share capital is five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) 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. In addition, it currently holds long-term financial investments in leading food and food service companies.

Savola's investment portfolio can be viewed as (i) Managed Investments, and (ii) Non-Managed Investments and which can be laid out as per the below table:

	Company	Savola Ownership	Vertical	Description	FY23 Revenue & % Contribution[2] to Savola	FY23 EBITDA
Managed Investments	Savola Foods	100% 	Edible Oil, Sugar, Pasta, Nuts, Spices and Pulses	• MENAT region's leading food player • Brands:	56.2%  SAR 15.0 bn	SAR 1.5 bn
	Panda	100% 	Hyper and Super Markets	• Leading grocery retailer in KSA and Egypt • Dominant player with over 20% market share in KSA[3] and presence in 40+ cities in MENA	38.5%  SAR 10.3 bn	SAR 0.8bn
	Al Kabeer	51.0% 	Frozen Foods	• Leading company in the frozen food industry in the GCC • Three facilities across KSA and UAE	2.7%  SAR 0.7 bn	SAR 0.1 bn

	Company	Savola Ownership	Vertical	Description	FY23 Revenue & % Contribution[2] to Savola	FY23 EBITDA
Non-Managed Investments	Herfy	49.0% 	Quick Service Restaurants	• Owns and operates 380+ fast food restaurants, along with a modest food processing unit	4.4%  SAR 1.2 bn[1]	SAR 0.2 bn[1]
	Almarai	34.5% 	Dairy, Juices, Bakery & Poultry	• World's largest vertically integrated dairy player • Market leader in KSA in Dairy, Juice, Cheese & Butter, Bakery & Poultry segments	SAR 19.6 bn[1]	SAR 5.2 bn[1]

Source: The Company

Notes:

1- According to the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia, Savola consolidates Herfy financials as part of its own financials, but Almarai financials are not consolidated in Savola financials

2- Contribution computed on overall revenue adjusted for eliminations

3- Source: Nielsen Market Audit report dated January 2024

4.2 Overview of the Company's Business

4.2.1 Managed Investments

Savola's strategic objective is to create shareholder value by growing and optimizing its portfolio of Managed Investments in the food and retail sectors, underpinned by the longstanding track record, high brand value and its vast reach within the Kingdom and wider MENAT region. The main tasks which the Company's management performs with respect to the portfolio include: (i) setting strategic direction, (ii) capital allocation; (iii) performance monitoring; (iv) ensuring top management capability; and (v) facilitating with different growth opportunities.

The Company's key Managed Investments are as follows:

4.2.1.1 Savola Foods Company

Savola Foods Company is a closed joint stock company registered in the commercial register in the city of Jeddah under commercial registration No. 4030180782 dated 05/07/1429H (corresponding to 09/06/2008G), with a share capital of two billion two hundred million (2,200,000,000) Saudi Riyals ("SFC"). Together with its subsidiaries, Savola Foods Company is involved in the manufacturing, processing, marketing, distribution and export of food products across business-to-business (B2B) and business to consumer (B2C) channels in the MENAT region. The key product categories served by Savola Foods Company include edible oils, fats, sugar, pasta, spices, nuts, pulses, dried fruits, seafood, bakery and other products.

Savola Foods Company was established in 1979G under the name of Saudi Vegetable Oils and Ghee Co., set up its first edible oil refinery in Jeddah, Saudi Arabia, in 1981G, and launched the "Afia" brand name in 1982G. Savola Foods Company is Savola's key food sector entity that plays a pivotal role in the Company's investments and operations. It is entrusted with the manufacturing, marketing, distribution and export of a range of brands through widely available products across the MENAT region. As of 31 December 2023G, Savola Foods Company has over 7,200 full-time employees across the countries and markets where it operates of which 1,450 are in the Kingdom.

As of 31 December 2023G, edible oils and specialty fats recorded approximately 1.7 million metric tons in sales volume, whilst sugar reached approximately 1.3 million metric tons, and pasta accounting for about 221 thousand metric tons. As of 31 December 2023G, edible oils, specialty fats, sugar and pasta represented about 66%, 24% and 4% of Savola Foods Company's total revenues, respectively. The remaining 6% is contributed by nuts, spices, pulses and other categories.[89]

Source: The Company

Note:

- All market share and positioning above are approximate and indicative
- Operations in Sudan are temporarily suspended at present due to the ongoing conflict.

89 This section excludes SFC's United Sugar Company Egypt business as it is not a subsidiary.

Key Products and Brands

Savola Foods Company's product offerings consists of packaged consumer food products based on 4 main categories including: (i) edible oils (such as sunflower oil, palm oil, corn oil, vegetable oils, olive oil, sesame oil, blends and more) and fats (such as vegetable ghee, margarine, and other specialty fats); (ii) sugar and sweeteners; (iii) pasta; and (iv) nuts, spices, pulses, dried fruits, snacks and others.

Building on its consistent success, Savola Foods Company continues to expand its brands' presence throughout the MENAT region, with a strong presence in the Gulf Cooperation Council (GCC) countries, Egypt, Turkey, Algeria and Iran.

Savola Foods Company's diverse brands represent key tiers of consumer preferences which include leading premium, mass-mid market and low tier brands. Savola Foods Company's key select brands include:

- **Afia:** Savola Food Company's leading and key brand specializing in food and oils products; this brand recently entered the nuts, spices and pulses segment of the Saudi market;
- **Shams and Al Arabi:** Savola Food Company's leading mid-market edible oils brands;
- **Yudum:** Savola Food Company's leading edible oils brand in Turkey;
- **Al Osra:** Savola Food Company's leading sugar brand;
- **Rawabi and Ganna:** Savola Food Company's leading vegetable ghee brands in Egypt;
- **El Maleka:** Savola Food Company's leading pasta brand in Egypt; and
- **Bayara:** Savola Food Company's nuts, spices, dried fruits and pulses products and activities brand in the United Arab Emirates and the recently launched snacking energy bars.

Below is a more detailed list of categories and brands by geography

Country	Category	Select Brands
Saudi Arabia, GCC Countries and Yemen	Edible Oils and Vegetable Ghee	Afia, Al Arabi, O'lite, Shams, Halah, Dalal, Nakheel, Lisa, Nisreen, Zahraty, SunVita, Baytoti
	Sugar and Sweeteners	Al Osra, Ziadah, Safaa, Hala, Nehar, Sweeva, Sweet & Fit
Egypt and some of the Levant	Edible Oils and Vegetable Ghee	Rawabi, Afia, Ganna, Slite, Helwa, Hanadi, Shams, Bent El Balad, Tahi, Ganna Mix
Iran	Edible Oils and Vegetable Ghee	Ladan, Aftab, Bahar Almas, Afia
	Bakery	Pech Pech, Happy
Sudan	Edible Oils and Vegetable Ghee	Sabah, Al Tayeb, Shams, Zaki
Morocco	Edible Oils and Vegetable Ghee	Afia, Hala
Turkey	Edible Oils and Vegetable Ghee	Yudum, Sirma, Afia, Yudum, Egemden
Algeria	Edible Oils and Vegetable Ghee	Afia, Oleor, O'lite Crispy
Egypt	Sugar and Sweeteners	Al Osra
	Pasta	Al Maleka, Macaranto, Italiano
GCC Countries, Egypt, Iran and Algeria	Seafood	Sahel, Ladan Gold, Afia
Saudi Arabia, Turkey, and Egypt	Specialty and Vegetable Fats	Afia, Professional Culina, Afia Professional, Tahi, Margarina, Fonta, Vala, Sava, Savola Pure, Al Tahi
Saudi Arabia and GCC Countries	Healthy snacks and Spices	Bayara, Afia, Bayara World (retail store concept)

Source: The Company

Manufacturing Facilities and Warehouses[90]

Savola Foods Company owns over 14 production facilities across 7 different countries (which include Saudi Arabia, Egypt, the UAE, Turkey, Iran, Algeria and Sudan)[91]. Savola Foods Company also operates and manages over 20 refineries and over 110 production lines as of 31 December 2023G. Within its manufacturing facilities, the company is primarily focused on the manufacturing of food products serving both consumer and industrial segments with each site serving local and regional markets including exports (where applicable). In addition to owned manufacturing facilities, Savola Foods Company also engages through its subsidiaries in toll manufacturing across the countries where it operates, which plays a key part in the production of either specialized products or covering supply gaps in order to meet excess demand. Savola Foods Company owns manufacturing facilities with a high production efficiency in processing and manufacturing products with a total refining and production capacity of over 4.4 million metric tons per year and packaging capacity of about 4.8 million metric tons annually.

Furthermore, Savola Foods Company operates through various owned and leased warehouses across the MENAT region dedicated to the storage of raw material including both dry and cold products, packaging materials, finished goods and spare parts. The combination of owned and leased warehousing network allows Savola Foods Company to meet the fluctuating demand and serve its customers without disruptions.

Sales and Distribution

Savola Foods Company operates a well-established and robust distribution network serving the entire spectrum of consumer channels both directly and indirectly via third party operators. Savola Foods Company distributes and sells its products to a variety of customers including B2C and B2B customers. It distributes its products across channels which include modern and traditional trades, restaurants, government/public and private sectors, distributors, wholesalers, out-of-home, food services, industrial services, businesses, and exports. Savola Foods Company also has a strong B2B distribution network serving more than 500 B2B industrial customers.

Savola Foods Company's outbound transportation and distribution of finished goods are carried out using leased trucks. Savola Foods Company's warehouses are used as its primary distribution centers.

Savola Foods Company actively carries out marketing and promotional activities which are based on thoughtful product development and distribution plans designed for the given year. However, Savola Foods Company's marketing activities include but are not limited to following initiatives:

- Launch of new products;
- Revamp and relaunch of existing products;
- Introduction of new variants and/or line extensions;
- Launch of new product packaging; and
- Commercial incentive activities such as advertising and/or campaigns.

Environment, Social and Governance Initiatives

Savola Foods Company is also active in pursuing its Environment, Social and Governance (ESG) initiatives. It is implementing and working on several projects with the aim to becoming more sustainable in future. Some of the key initiatives includes:

- Installation of photovoltaic panel for solar energy on Savola Foods Company's Bayara facilities in the UAE;
- Shift of over 500,000 kg annually of conventional plastics to bio-degradable plastics for oil packaging;
- Implementation of zero paper policy saving over one million paper sheets annually;
- Collaborating with the United Nation's Food and Agriculture Organization (FAO) in conducting a research and development competition to explore sustainable alternatives to traditional edible oils; and
- Commissioned a Flue Gas Desulfurization (FGD) plant at its oil facility in Saudi Arabia to ensure compliance with air quality regulations.

90 This section excludes SFC's United Sugar Company Egypt business as it is not a subsidiary.
91 Operations in Sudan are temporarily suspended at present.

Investments in Nascent Industry Disruptors

Savola Foods Company invested in a UAE based snacking and healthy food products start-up in 2021G called Munchbox. Established in 2014G, it is a healthy snack manufacturer with key presence in the UAE and Saudi Arabia. Its products include energy and health bars and balls, low carb pasta, healthy chips and puffs (almond chips, broccoli puffs), keto-cookies and croissants, granolas and cereals, and others.

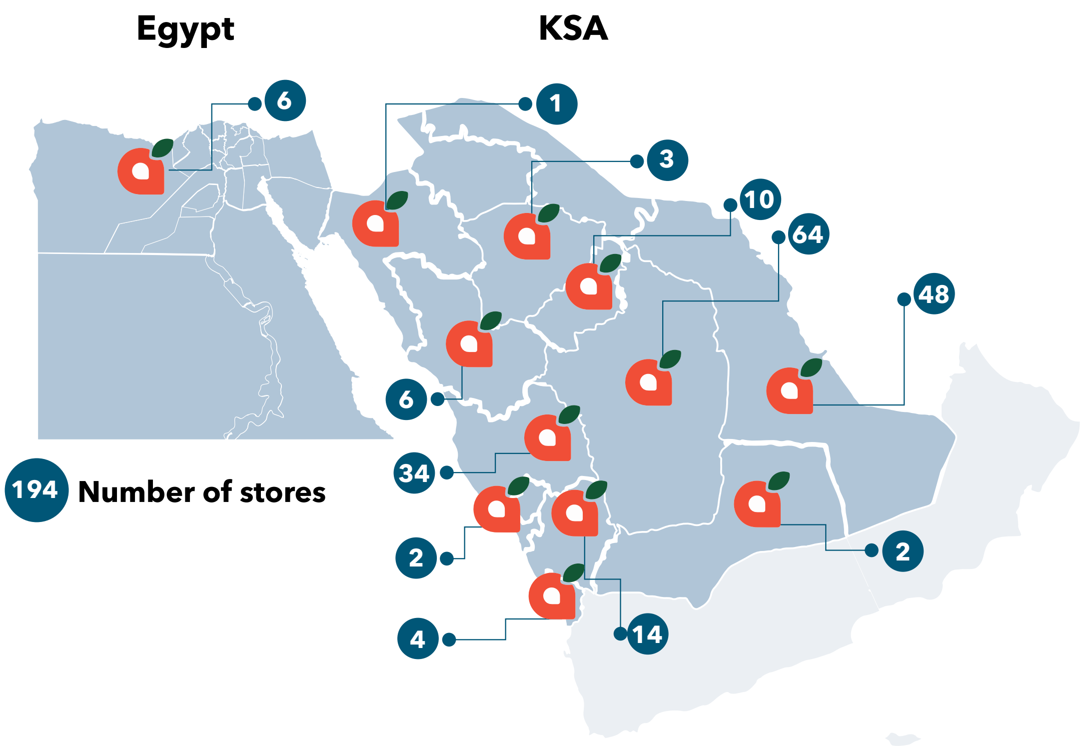
4.2.1.2 Panda Retail Company

Panda Retail Company is a closed joint stock company registered in the commercial register in the city of Jeddah under commercial registration certificate No. 4030223594 dated 29/03/1433H (corresponding to 06/02/2012G), with a share capital of one billion twenty million (1,020,000,000) Saudi Riyals ("**Panda**"). Together with its subsidiaries, Panda is a retail company operating a wide network of large and medium stores (hypermarkets and supermarkets). Panda also has its own online platform, as well as other presence on third party digital platforms. In 2023G, Savola acquired the minority shareholder stake in Panda to become the sole owner of Panda Retail Company.

Acquired in 1998G by Savola, Panda has become the leading modern retail chain in the Kingdom. With 194 stores (including (6) stores in Egypt), Panda has become a widely recognized brand in the consumer goods retail sector in the Kingdom despite various market and industry challenges. Panda has a leading market share of over 20% of the modern trade channel in KSA and a formidable geographic reach in more than 45 cities across Saudi Arabia, serving over 95 million shoppers annually in the attractive and under-penetrated modern grocery retail sector. As of 31 December 2023G, Panda employs over 13,900 employees.

Stores

As at the date of this Prospectus, Panda operates and manages 194 stores, this includes 188 stores across more than 45 cities in the Kingdom and 6 stores in Egypt:



Source: The Company

Commerce and operations

Panda offers an impressive array of over 39,000 stock-keeping units (SKUs) spanning across the following 6 key categories in order to meet the varied needs of its customers:

- Fresh food
- Grocery food
- Grocery non-food
- General merchandise
- Electronics
- Textile

Panda offers an extensive range of products through its partnerships with over 55 suppliers hailing from more than 20 countries, ensuring a global and seamless reach that enriches the customer shopping experience. With 4 state of the art centralized distribution centers, over 460 distribution vehicles and an advanced IT system, Panda has been able to continuously improve its product shelf availability and deliver value to its customers.

Furthermore, Panda has entered into a commercial agreement with United Electronics Company (Extra) – the leading electronics retailer in the Kingdom – whereby Extra will provide Panda its capabilities in electronic products category management, its commercial terms with suppliers and after sales service capabilities. Panda will provide Extra the right space and the support across all in-Kingdom stores. This agreement between Panda and Extra was signed in 2023G and is expected to roll out in 2024G-2025G under the new brand “Clix” across all Panda in-Kingdom stores.

Online Sales Revenue

Panda currently has online presence through its grocery retail platform “Panda Click” which Panda operates and fulfils orders directly from stores, as well as presence through leading third-party aggregators in the Kingdom. Panda has recently signed an agreement with Ocado – a global leader in online food retail based out of the United Kingdom – whereby Panda will use Ocado’s technology and long accumulation of operations know-how, to develop distribution centers in key cities across the Kingdom to fulfil customers demand.

4.2.1.3 Al Kabeer Group

Together with its subsidiaries, Al Kabeer Group is involved in the manufacturing, processing, marketing, distribution and export of frozen and processed food products. Savola acquired 51% of Al Kabeer in 2018G.

Established in 1974G, Al Kabeer Group is one of the leading frozen and processed food manufacturer and distributer in the Middle East. It operates in Saudi Arabia and the UAE, as key market, with additional presence in Bahrain and Oman. As of 31 December 2023G, Al Kabeer Group has a total employee count of over 1,400 of which approximately 500 are based in Saudi Arabia.

Al Kabeer Group continues to focus on developing and increasing its presence and reach in the GCC markets primarily in Saudi Arabia and the UAE while maintaining its prominent position in the frozen food sector. Al Kabeer Group is currently focusing on growth led by strengthening market position and product innovations.

Wide Frozen Foods Products Range and Brands

Al Kabeer Group’s product range includes frozen processed poultry, meat, seafood; vegetables and fruits; dough-based products; snacks and ready to eat meals and others. Some of the key products include frozen breaded and mince chicken, burger, nuggets and fillets, shrimps, falafel, potato fries, parathas, samosas and more. Al Kabeer manufactures, processes, and distributes over 300 different SKUs and formats, and offers its products under the key brand name of “Al Kabeer”. Al Kabeer Group also has 2 mid and lower tier brands called “Tayebat Al Emarat” and “Tabarruk” which are tactfully active in selective categories, regions, and channels.

2023G New Logo and Brand Revamp

Al Kabeer Group has revamped its branding and packaging with the launch of its new logo in 2023G to reinvigorate its brand identity and enhance its consumer engagement. The focus on branding and product offering resulted in around 15 new products, variants and formats launched in 2023G across both B2C and B2B channels.

Manufacturing and Distribution Network

Al Kabeer Group operates 3 manufacturing facilities in the region with 2 facilities located in the UAE (set up in 1983G and 2008G) and 1 in Saudi Arabia (set up in 2017G). Al Kabeer's combined freezing capacity of its 3 facilities is over 55,000 freezing hours per annum. Al Kabeer Group has successfully established a strong and a deep distribution network supported by over 30 cold stores, 11 distribution centers, and over 450 transportation vehicles across the operating regions. Al Kabeer caters to all sales channels including modern retail, traditional retail, catering and food services.

4.2.2 Non-Managed Investments

These comprise investments that Savola does not manage as part of its investment portfolio in the food and retail sectors. As of the date of this Prospectus, they comprise Almarai and Herfy. Savola records the investment in Almarai using the equity method of accounting, including its share of its profits as per its reported earnings. In the case of Herfy, Savola fully consolidates their results based on the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia, given Savola's position as Herfy's largest shareholder.

4.2.2.1 Herfy Food Services Company

Herfy Food Services Company is a listed joint stock company registered in the commercial register in the city of Riyadh under commercial registration certificate No. 7000329776 dated 04/05/1401H (corresponding to 09/03/1981G), with a share capital of six hundred forty six million six hundred eighty thousand (646,680,000) Saudi Riyals ("**Herfy**") in which Savola holds a 49% shareholding as part of its long-term investments in the retail sector. Together with its subsidiaries, the activities of Herfy consist of the operation of quick service restaurants that provide ready cooked meals, the production and sale of bakery and pastry products, the sale and purchase of lands for the purpose of constructing buildings and personal use, and maintaining and leasing stores as well as food storage fridges.

Established in 1981G, Herfy owns and operates one of the Kingdom's leading fast-food chain, "Herfy", with over 393 restaurant branches across the Kingdom, bakery shops under the brand Doka, bakeries and meat processing facilities under the brand "Herfy". Herfy has established itself as one of the Kingdom's first fully integrated food services companies, with its own bakery and meat processing factories and a number of franchise restaurants in Kuwait, Bangladesh and Nigeria.

4.2.2.2 Almarai

Almarai is a Saudi-based publicly listed company in which Savola holds a 34.52% shareholding as at the date of this Prospectus. Founded in 1977G, Almarai is one of the leading food and beverage companies in the Middle East based on sales, and is one of the largest integrated dairy companies in the world. Almarai maintains its leading position in its sector, continuously introducing new product offerings that cater to the evolving needs of the local consumers, while playing a vital role in the Kingdom's food security.

For more information about the Company's strategy regarding the distribution of all its shares in Almarai Company to its Shareholders, please refer to Subsection 4.6 ("**Company Strategy**") of Section 4 ("**Overview of the Company and Nature of Its Business**") and Subsection 2.1.1 ("**Risks of Failure to Implement the Strategy**") of Section 2 ("**Risk Factors**") of this Prospectus.

4.2.3 The Company's Corporate Venture Capital Investments

Besides Savola's investment portfolio of Managed Investments and Non-Managed Investments, Savola has investments in startups and small companies to tap into the innovation and disruption happening in food and retail ecosystems globally. Savola backed artificial intelligence company "Caper AI", a leader in smart cart and smart checkout technologies that worked to create a unified online and in-store commerce solution for retailers. Caper AI was later acquired by Instacart, a global ecommerce player converting Savola's stake in Caper AI to Instacart as part of the acquisition. Savola also backed "Lyve", a last-mile-technology-solutions company in the UAE, and "Red Sea Science and Technology Inc.", a sustainable agriculture science and technology company emerging from KAUST, which advances commercial farming in hot climates globally with its proprietary "Hot Climate Agriculture".

4.2.4 Non-core Investments

Savola also owns non-core investments, outside the food and retail sectors, which the Company does not consider to be strategic in nature. Since 2009G, the Company has started gradually to divest what it considered to be its non-core investments in order to optimize overall shareholders' value. In line with its strategy of focusing on core activities in the food and retail sectors, Savola disposed of certain investments including a minority stake in Dar Al Tamleek in 2018G and a minority investment in Knowledge Economic City in 2022G. As at the date of this Prospectus, Savola is exploring and assessing possible options for exiting its other non-core investments. Management is of the view that the disposal of these investments will not have a material impact on overall business. The Non-core Investments held by the Company include the Company's varying shareholdings in the share capital of Kinan International for Real Estate Development Co. and Intaj Capital Limited, and stakes in listed companies such as Emaar the Economic City, amongst others.

4.3 History of the Company

For more than four decades, Savola has succeeded in building a rich history of achievements by setting new standards for excellence, entering new markets, and achieving exceptional growth. Since its inception in 1979G, the Company has earned the trust of its shareholders, customers, employees, and all other stakeholders by effectively investing in opportunities and developing businesses, making its operations pioneering in its sectors and managing risks effectively.

The key milestones achieved in relation to the Company and its business since its establishment are summarized as follows:

Year	Event/Development
1979G	• Savola is established, with a paid-up capital of SAR 40 million and 50 employees.
1981G	• Savola's edible oils refinery in Jeddah, the first in the Kingdom, begins operations.
1982G	• Savola launched Afia premium corn oil. By the late 1980s, Savola captures 70% of the Saudi edible oils market.
1991G	• Acquisition of a 40% shareholding in Almarai.
1992G	• Savola becomes a publicly listed company on the Saudi Stock Exchange (Tadawul). • Savola Bahrain and Savola Egypt commence edible oils operations.
1993G	• Joint venture with Tate & Lyle to establish United Sugar Company, the Kingdom's first sugar refinery.
1995G	• Afia International Egypt is formed through the merger of Savola Egypt and SIME Derby Egypt. • Savola Foods Company establishes an edible oils factory in Egypt.
1998G	• Savola enters the retail sector, following its merger with Azizia Panda. • Savola gains a 70% stake in Herfy through the Panda merger.
2003G	• Savola Foods Company establishes edible oils businesses in Morocco and Sudan.
2004G	• Panda launches the Hyper Panda format.
2005G	• Savola establishes Kinan Real Estate, subsequently divesting 70% through private placement. • Savola offers six million (6,000,000) new shares by way of a rights issue.

Year	Event/Development
2006G	• Savola invests in King Abdullah Economic City (KAEC) and Knowledge Economic City as a founding shareholder.
2008G	• Panda acquires Giant Stores and opens its first central distribution center in Riyadh.
2009G	• Panda acquires Géant Stores operations and expands its network to 152 locations.
2010G	• Herfy is listed on the Saudi Stock Exchange (Tadawul) with Savola retaining 49% of its shares • Savola launches its first CSR program, 'Makeen', to train and empower people with disabilities.
2011G	• Standard & Poor's, Hawkamah and the International Finance Corporation rank Savola second among top-listed companies in the Arab world for governance and transparency. • Savola Foods Company enters the pasta market by acquiring El Maleka Company and El Farasha Company in Egypt.
2013G	• Savola's first Sukuk issuance (SAR 1.5 billion). • Savola acquires Al Muhaidib's shares in Panda (18.6%) and Savola Foods Company (10%) in exchange for the issue of 33.9 million new Savola shares through a capital increase to SAR 5.34 billion.
2015G	• Savola Foods Company enters the seafood business with global seafood leader, Thai Union, to launch the famous John West brand in 12 markets across the MENAT region. • Savola Foods Company launches Afia Distribution Company in the Kingdom.
2016G	• Savola unveils a new brand identity, symbolizing its evolution to a strategic investment holding company. • Savola receives the Sa'afa Award from the Integrity and Transparency Foundation.
2017G	• Savola sells a 2% stake in Almarai, as part of its capital re-allocation, whilst remaining the largest shareholder with a 34.52% stake. • Savola ranks top 10 for transparency in corporate governance and sustainability (environment and social practices) in MENA by S&P and Dow Jones indices and Hawkamah. • Savola launches its second CSR program, 'Negaderha'. • Savola Foods Company commissions a new factory in Jeddah to manufacture specialty fats for the B2B market. • Savola Foods Company establishes a joint venture in Iraq to create Bonus Food Company LLC, which is engaged in the refining and packaging of edible oils and vegetable ghee.
2018G	• Savola acquires a majority stake (51%) in Al Kabeer, one of the region's leading frozen foods companies.
2019G	• Savola issues the second tranche of Sukuk, pursuant to a new program in an aggregate amount of SAR 1 billion. • Savola among the 31 companies added to MSCI (Morgan Stanley Capital International), as part of Tadawul's inclusion into the MSCI Emerging Markets Index. • Standard & Poor's, Hawkamah and the International Finance Corporation rank Savola fourth among top-listed companies in the Arab world for governance and transparency.
2020G	• Savola named among Top 20 Great Places to Work in the Kingdom. • Savola ranked top 10 among all non-financial sector companies traded on Tadawul in the Corporate Governance Index (CGI) by Al Faisal University's Corporate Governance Center. • Savola was among the 'Top 100 companies in the Middle East' for 2020G according to Forbes Middle East, ranked 14th in the Kingdom and 39th in the Middle East.
2021G	• Savola joined The Valuable 500 global initiative in May 2021G, which aims to enhance the inclusion of persons with disabilities through the business sector as a major driver of social change. • Savola Food Company invests in a new snacking and healthy foods company, based out of the UAE. • Savola Foods Company acquired 100% of Bayara in line with its growth strategy focused on expansion into high growth, value-added food categories with propositions directed towards the younger population. Bayara is considered to be a leading company specialized in nuts, spices, dried fruits, and snacks, and is based in the UAE with over 3 decades of success and a wide distribution network across the Middle East and Africa.
2022G	• Savola agrees to sell its shares in Knowledge Economic City and Knowledge Economic City Developers Company Limited to Taiba Investment Company for SAR 459 million as part of its efforts to reallocate capital into core food and retail categories. • Savola Foods Company acquired bakery assets in Egypt. • Savola expanded its "Afia" brand name with new categories launches in the Kingdom including nuts, spices, pulses, and snack bars.

Year	Event/Development
2023G	• Savola exited its investments in Morocco and Iraq as part of its pruning strategy to rebalance capital into higher growth opportunities. • Savola expanded its verticals with B2B offering under the Savola professional umbrella to serve HORECA, catering, food ingredients, and food service customers. • Savola acquired the minority stake in Panda to become a 100% shareholder. • Savola increased the share capital of Panda to SAR 1,020,000,000 via capital injection.
2024G	• For the 5th year now (2019G, 2021G, 2022G, 2023G, and 2024G), Savola obtained the "Great Place to Work" certificate ranking in the top 20 companies to work for in the Kingdom, recognizing outstanding, high-trust, high-performing workplace cultures.

Source: The Company.

4.4 The Company's Strengths and Competitive Advantages

Savola is one of the leading strategic investment holding companies in the MENAT region, with a portfolio of leading brands in the food and retail sectors, over SAR 26 billion turnover, 23,000 employees, directly operating in 7 countries with product reach in over 50 countries, and a strong and diversified shareholder base.

Savola has developed sustainable competitive advantages both at the holding company level and at each material subsidiary level, that position it to outperform its peers, in each sector and in each of the regions in which it operates. This enables Savola to pursue opportunities in line with its strategy and provide it with immediate advantages in know-how, scale and route to market.

The Company's key strengths are:

- Market leading position;
- diversified food and retail business;
- solid long-standing brands;
- extensive manufacturing, and distribution networks across geographies;
- continued focus on investment in development of human capital; and
- skilled and experienced management team.

In addition, the Company also has a strong corporate culture and values that underpin its actions. Focus has been on innovation and digitization to improve efficiency of operations and on retaining and training its staff.

Strengths of each of Savola's key subsidiaries are set out below:

4.4.1 Savola Foods Company

a- Established brands with leading market share

Savola Foods Company's success is rooted in its strong industry expertise, market knowledge and leadership, complemented with trusted and leading brands in the categories it operates. Savola Foods Company has market leadership positions by market share in the key geographies and categories where it operates.

The strength of Savola Foods Company's brands complements the introduction of new products and variants to the market, as Savola Foods Company leverages on an established customer base and brand perception. The "Afia" brand name is a strong household name in the MENAT region and, in addition to edible oils, has recently expanded into newer categories with the launch of the nuts, spices, pulses range under the "Afia" brand name in Saudi Arabia. Savola Food Company's brands in other territories are also one of the leading brands in their respective categories such as "Yudum" in Turkey, "Bayara" in the UAE, "El Maleka" and "Italiano" in Egypt and "Al Osra" in Sugar in Saudi Arabia.

b- Wide logistics and distribution network

Savola Foods Company has a strong and wide logistics and distribution network catering in the territories where it operates. Savola Foods Company manages its product distribution through a network of owned and leased warehouses, making it a key supplier in the markets where it operates.

c- Strengths in Sourcing and Production

Savola Foods Company benefits from economies of scale due to its substantial annual production volumes of edible oils and sugar, coupled with its strategic geographical locations and port accesses. These volume levels enable Savola Foods Company to establish strategic partnerships with its key suppliers. With over 14 manufacturing facilities spread across 7 countries, Savola Foods Company has distinct advantages and position of strength in its sourcing activities. As part of the facilities, Savola Foods Company operated over 20 refineries and over 110 production lines as of 31 December 2023G. Savola Foods Company's Saudi Arabia sugar refinery is among the largest in the world in terms of volume produced per annum, with a refining capacity of over 1.2 million metric tons of sugar per annum. Furthermore, with over 4 decades of procuring commodities, Savola Foods Company has expertise in managing commodity risk through techniques, such as hedging and market analysis, to manage commodity market fluctuations.

d- Diversified geographical footprint across the MENAT region

Savola Foods Company is also well diversified geographically, offering its consumers products and services with reach in more than 50 countries. Savola Foods Company has direct operating presence in 7 markets, which includes Saudi Arabia, Egypt, the UAE, Turkey, Iran, Algeria, and Sudan.

e- Established R&D and consistent innovations

Savola Foods Company has a customer-centric innovation and product development approach which is based on consumer outreach and understanding of markets in which it operates. The Company has on various occasions been a pioneer in introducing first of its kind innovative food products in its categories. Some of its recent innovations include Afia oil with zinc, the biodegradable oil pack, fortified Italiano pasta with mineral and vitamins, and the first in-Kingdom manufactured chicken stock fat. The sugar segment also saw recent launch of low calories sweeter under the "Sweet & Fit" name, while Bayara continues to innovate new products, spice blends and recently launched a range of healthy snacking and energy bars.

f- Resilient business model with consistent margin profile

Savola Foods Company has a unique and resilient business model with a long-standing track record of superior performance over the last 40+ years, with consistent growth despite commodities and macroeconomic fluctuations within KSA (the Company's core market). Over time, Savola Foods Company has been able to generate robust profits and expand operating margins – gross margins have expanded from 12.1% of revenue for FY21G to 15.6% of revenue in FY23G and EBITDA margins expanded from 7.2% of revenue for FY21G to 10% of revenue in FY23G.

g- Strengthening B2B offering under Savola Professional

Savola Foods Company also benefits from a strong B2B business across its operating markets. It is a key supplier of various food products to industrial businesses. Within its B2B segment, Savola Foods Company launched over 20 new product developments in 2023G. It is further strengthening its B2B platform with the launch of a new brand identity under "Savola Professional". Launched in 2022G, Savola Professional aims to strengthen and empower Savola Food Company's equity in the B2B domain and provide strong product offering and innovations to the B2B market segment. It has focused on developing customized formulae for food industry players in segments such as dairy, bakery, frying as well as certain non-food segments.

h- Experienced and highly qualified management team

The company's knowledgeable and experienced management team, well-versed in the financial, commercial, operational, and regulatory aspects of the food sector, is equipped to lead the company and implement its plans for the future. Meanwhile, Savola is actively constructing the necessary tools for effective performance management and benchmark, encompassing both short-term and long-term operational and financial KPIs. These efforts are complemented by periodic reviews and a proactive approach that prioritizes the long-term best interests of the company.

4.4.2 Panda Retail Company

a- Leading grocery retailer in the Kingdom with a large and strong customer base

Panda is a leading player in the grocery retail space in the Kingdom with a market share exceeding 20% of the modern retail trade categories[92] and presence in Egypt. It has a total of 188 stores in the Kingdom and 6 stores in Egypt. With a selling area of over 541 thousand square meter, Panda has a solid customer base serving over 95 million visitors annually in the Kingdom alone.

b- Expanding branch network and widespread national coverage

Panda has an expanded footprint across the Kingdom of Saudi Arabia, solidifying its national coverage with a robust presence in key regions. With 188 stores strategically located in over 45 cities across the Kingdom, Panda has established itself as a prominent player in the retail landscape, offering convenience and accessibility to customers throughout the Kingdom.

c- Well-established brand equity with a wide reputation and outreach

Panda, as a well-recognized and highly trusted brand, has evolved its visual identity to reflect its new customer-centric propositions while maintaining brand equity. By actively innovate to enhance shopping experience, engage with communities through initiatives like "Leave the Change for Them" and "Friend of the Environment," and have been recognized for excellence in in-store design at the Retail Asia Awards 2023G.

d- Experience and expertise in store selection and development

Panda's store selection capabilities enables a swift access to the most profitable locations to develop the right stores that address the needs of the surrounding demographics. After alignment with Panda's footprint strategy in the Kingdom, the site selection process is facilitated by combining internal governance, real estate expertise in grocery retail and advanced technologies that provide site analytics and local consumer data mapping. Additionally, the Company's ability to develop stores enables it to establish and complete new stores relatively quickly to meet demand. This strategic approach was successfully adopted with the launch of the Customer Experience Revival (CXR) program, where completed stores, totaling 75 stores, saw an increase in revenue of over 9% in 2023G as a result of increased customer engagement.

e- Unique infrastructure and distribution network

Panda's commitment to retail excellence is underpinned by a substantial investment in advanced infrastructure, positioning Panda with a significant competitive advantage. Panda's state of the art temperature-controlled distribution centers in Riyadh and King Abdullah Economic City, the logistics network of over 450 distribution vehicles and advanced IT infrastructure have enabled the Company to optimize replenishment capability and increased product shelf availability with more than 39,000 SKUs on offering sourced from over 20 countries.

f- Data management, Innovative promotional techniques

Harnessing the power of its IT system and its ability to analyze the data of customer shopping patterns, Panda continues to enhance the shopping experience for over 12 million registered and identified customers on its loyalty program "Panda Plus". By leveraging its investments in state-of-the-art technologies and loyalty programs, Panda is well positioned and is on track to exploit its database by adopting advanced marketing and promotions that may result in better commercial outcome with suppliers and create tailored customer experiences.

g- Seasoned and accomplished management team

Led by an experienced management team proficient in various aspects of the retail sector, the management team is instrumental in shaping the establishment of a robust national presence and strong brand identity while committing to improving the shopping and customer experience. Panda not only focuses on developing tools and data management for promotional efforts but also maintains vigilant oversight on performance management through regular reviews and proactive strategies.

92 Source: Nielsen Market Audit report dated January 2024.

4.4.3 Al Kabeer Group

a- Long-standing and trusted brand name

Al Kabeer Group is an established leading frozen processed food player in the GCC with a significant market share in its core markets of Saudi Arabia and the UAE. Moreover, the "Al Kabeer" brand has been widely recognized and established in the frozen food sector for over 45 years.

b- Regional presence and distribution network reach

Al Kabeer Group has a direct presence in 4 countries in the GCC region, which includes Saudi Arabia, Bahrain, the UAE and Oman. Al Kabeer operates and manages 3 manufacturing facilities of which 2 are located in the UAE and 1 in Saudi Arabia. Al Kabeer has successfully established a strong distribution network supported by over 30 cold stores, 11 distribution centers, and over 450 distribution vehicles across its operating regions. This far-reaching distribution network provides a distinct advantage to Al Kabeer in reaching its consumer base across the channels and segments.

c- Wide product portfolio and innovations encompassing frozen food products

Al Kabeer Group manufactures and distributes more than 300 products and SKUs. Al Kabeer's product range includes frozen processed poultry, meat, seafood; vegetable and fruits, dough-based products, snacks, ready to eat meals and others. Some of the key products include frozen breaded and mince chicken, burger, nuggets and fillets, shrimps, falafel, potato fries, puffs, samosas and more. This diverse product range allows the company to cater to all demographics and age groups of consumers.

4.5 Company's Mission

Added value to investors, employees, and the community as a whole

Savola's mission is to make a positive impact on society, drive growth through strategic investments in the MENAT region to achieve strong and consistent financial returns, profitability, and maximize value for its shareholders.

Savola's objective is to continue and sustain its focus on food and retail sectors. Savola's mission includes providing strategic guidance and specialized expertise to its subsidiaries, enabling them to grow and succeed on their own, thereby creating added value for Savola's shareholders.

Steady steps built on core values

Ethical principles, including integrity, piety, righteousness, and perseverance, are the working approach that Savola follows. These values have been Savola's companions since the beginning, and they will always remain as principles that underpin the Company's operations.

Leader in job creation in the Food and Retail Sectors

As a responsible employer with focus on equality, respect and trust, Savola works with people on their merits, regardless of gender, ethnicity, nationality or disability, to ensure the diversity and inclusivity that is critical to Savola's sustainable story. Savola encourages women to apply for positions at Savola at all levels and is proud of its recruitment rate of female staff. In 2022G, Savola was once again awarded the Mowaamah Certificate – Gold Standard; a testament to its best practices for disability inclusion. Savola has a duty of care towards its employees to support them to progress in their professional as well as personal lives. In 2022G, Savola achieved a retention rate of 84% where 9 out of 10 employees described Savola as a fair employer from recruitment to development, support and promotion. Last year, Savola instigated several initiatives in accordance with Savola's principles of recognition, reward and engagement, including Savola Foods Company's "Culture Matters in Restoring Greatness" and a program of nourishment towards the organization, Savola and its teams.

Corporate Governance

Savola maintains the highest standards when it comes to governance, regulatory requirements and best international practices. Through these focused efforts, Savola remains among the top listed companies in the Kingdom and the MENAT region when it comes to corporate governance. For this reason, Savola's track record has been crowned by achieving the fourth position among the best companies in the Arab World according to the Standard & Poor's Dow Jones Indices and Governance Institute. Also, as per the latest study conducted by the Governance Center at King Faisal University whose results were published last year, Savola ranked among the top 10 companies in the Saudi Corporate Governance Index (non-financial sector).

Social responsibilities

As part of its social responsibility towards the community in which it operates, Savola is a passionate advocate of community welfare and environmental protection. Savola has an unconditional commitment to sustainability and society as part of its responsibility to the nation. Its CSR initiatives and programs revolve around the communities in which Savola serves and the environment in which we live. Savola acts on the conservation of natural resources and energy and has sustainability at the heart of every operation. Savola's vision for a cleaner and more just future is encapsulated by the Savola World Foundation, which is a non-profit organization dedicated to social responsibility programs and initiatives. It oversees and drives all social responsibility programs such as food waste management initiatives, youth skill development, support for startups, and empowerment of people with disabilities through training and employment.

4.6 The Company's Strategy

Savola's main goal is to maximize investment value for its Shareholders by continuing to develop effective investments in the food sector and the retail sector, with the aim of enabling and accelerating growth factors in the underlying portfolio to achieve scale and profitability, on the basis of its longstanding track record, high brand value and its vast reach within the Kingdom and the wider MENAT region. The Company achieves this objective through 5 key activities which it performs with its Investments:

- **Capability building** - value creation capability is a high strategic priority for Savola's management, whereby the Company ensures that its portfolio is managed through the best sets of skills available.
- **Effective allocation and rotation of capital** - as a strategic investment holding, Savola continuously reviews its return-on-investment of the portfolio and deploys or redeploys capital with a view to enhance shareholders' returns.
- **Synergies across investments** - extract value from its role as a strategic shareholder in the consumer space by realizing synergies across its investments.
- **Performance monitoring and portfolio management** - Savola ensures the availability of tools and capabilities required for effective performance management, while facilitating growth opportunities and providing strategic support to its managed portfolio.
- **Inorganic growth** - perform mergers and acquisitions to establish new business verticals across the markets and maximize its share of consumer spend and profitability over the long-term horizon.

In line with the Company's strategy, Savola plans to distribute its entire 34.52% stake in Almarai to Savola's Eligible Shareholders with the aim of maximizing their investment value. This strategy consists of four phases: (1) the rights issue; (2) debt repayment; (3) capital reduction; (4) distribution of the Company's entire stake in Almarai to Savola's eligible shareholders. The implementation of each of the rights issue, capital reduction, and distribution of the Company's entire stake in Almarai to its Eligible Shareholders is subject to the approval of the relevant regulatory authorities and the Company's General Assembly of shareholders. For more information on the risks related to the Company's failure to implement its strategy, please refer to Subsection 2.1.1 ("**Risks of Failure to Implement the Strategy**") of Section 2 ("**Risk Factors**") of this Prospectus.

As part of this strategy, going forward, the Company will focus on investing in the growth (both organic and inorganic) of its companies operating in the food and retail businesses, whilst continuing to review strategic options to realize value from other portfolio companies that demonstrate effective distribution and monetization potential.

The individual growth strategies of Savola Foods Company, Panda and Al Kabeer Group are outlined below:

4.6.1 Savola Foods Company Strategy

Savola Foods Company follows the "4 Pillar Strategy of Transformation (A-B-C-D)" approach to execute its growth initiatives. The strategy focuses on strengthening its core activities, expanding in new categories of products, diversifying through early-stage investments in promising regional and local companies, and transforming through digital and offline disruption. Savola Foods Company aims to become a fast growing and diversified regional food industry player, while preserving standards of living.

Savola Foods Company's 4 pillars strategy of transformation including 'Anchor', 'Bet', 'Conquer' and 'Disrupt' strategy through the following:

A-B-C-D Strategy

"Anchor" **How we grow**	**"Bet"** **How we diversify**	**"Conquer"** **How we ingress**	**"Disrupt"** **How can we transform**
Strengthening the current product categories through expansion, growth and innovation. Exploring opportunities from the current product categories in new channels and geographies. Growing current businesses through youth and health focused line extensions.	Placing investments in promising, high-growth, youth-focused categories and innovations led companies in the value-added product categories.	Entering large and established food categories in key markets such as Saudi Arabia, and Egypt. Target new product lines and brands through organic and inorganic efforts.	Transform businesses through online and offline initiatives such as developing a B2B platform. Capitalize on the increasing food service spend backed by the trend of growing preference of eating out and demanding food delivery.

In more detail, the 'anchor', 'bet', 'conquer' and 'disrupt' strategy is expected to be achieved through:

a- Diversification of existing product portfolio

Acceleration of Profitable Growth – Under its "Anchor" pillar, Savola Foods Company aims to focus on growth of its existing businesses in key markets building on its strengths in scale, well reputed brands, and innovations capability.

Diversification through innovations - Within its "Anchor" pillar, Savola Foods Company is committed to integrate innovation within its existing product line up (edible oils, sugar, pasta), in both the retail and wholesale businesses. In 2023G, Savola Foods Company has successfully launched over 50 innovations which includes new product developments, variants and formats in edible oils, ghee, pasta, margarine, snacking and bakery categories across Saudi Arabia, Egypt, the UAE, Turkey, Iran, Algeria, and other markets in both its wholesale and retail segments.

Further scale up and expansion - Savola Foods Company aims to further expand the scale of its current businesses by entering into adjacent and complementary new product categories, thereby targeting new retail and wholesale customers to drive revenue growth and enhance profit margins from low income, mid-market and premium segments, as appropriate.

Enhancing oil and other core categories – within its leading oils brand, Afia, the Savola Foods Company's runs ongoing initiatives across Egypt, the Kingdom and Algeria related to new product variant launches as it looks to bring more innovations in its products. Recently it launched health-focused variations of edible oils, such as Afia Corn Plus with Omega 3 and 6, in acknowledgment of the increased demand for healthier edible oils options. In other segments it recently launched the low-calorie sweetener "Sweet and Fit" brand in Saudi Arabia, enhanced quality margarine, and fortified pasta variant among other products.

b- Expansion into fast growing product categories

Strengthening the "Conquer" pillar – Savola Foods Company continues to strengthen its "Conquer" strategic pillar to diversify further into new categories. This diversification strategy focuses on entering categories through organic and inorganic routes. It focuses on prioritized expansion, extending into adjacencies and undertaking new targeted acquisition. Savola Foods Company continually undertakes the study of various categories assessing their market size, market growth, competition levels, barriers to entry, and other important factors to make such expansion decisions.

Acquisition of Bayara in 2021G - Under the "Conquer" strategy pillar, in 2021G, Savola Foods Company acquired UAE based nut, spice, pulses and snacking company "Bayara". It was part of its strategy to enter and cater to high-growth, higher margin, value-added, healthier product categories. To further diversify and drive growth, Savola Foods Company relaunched the Bayara product range in the Kingdom under its "Afia" brand, extending the "Afia" brand name into new categories of nuts, spices, and pulses beyond the traditional edible oils' products. Bayara has since continued to consolidate in the UAE markets with the launch of new product ranges pertaining to snacking and health bars, while ramping up the Saudi Arabia operations. Bayara has recently also entered into retail format stores through the launch of the "Bayara World" stores in the UAE with Bayara's product range offering.

Activating the "Bet" strategy – Similarly, under Savola Foods Company's "Bet" strategic pillar, it invested in a UAE based healthy food and snacking company "Munchbox" in 2021G. Munchbox offers a range of healthy food options with ranges including snack bars, cereals, chocolate bars, pasta, puffs, chips and more.

c- Continuous assessment of business portfolio

Focus on value creation and an optimized investment portfolio - Savola Foods Company keeps a close watch on operating businesses and categories across the territories where it operates. It evaluates its strategic priorities and, if there are existing markets that are no longer of strategic importance to the Company or have lacked to demonstrate sufficient value creation and/or sustainable financial returns, Savola Foods Company will make decisions to exit such markets.

Strategic exits - In line with its business portfolio review and optimization, Savola Foods Company exited the markets of Morocco and Iraq during 2023G where it had edible oils businesses.

d- Leveraging its distribution network

Strength of Savola Foods Company's distribution network and its customer centric approach is one of the keys to its success. The strength of Savola Foods Company's distribution network has in the past enabled it to establish presence in new markets, attract new customers and gain market share. In order to consolidate and grow Savola Foods Company's position in each of the markets where it operates, it has developed a strong distribution network with ability to develop customized 'route to market' for each product and each market.

e- Customer Focus and Strengthening B2B

While continuing to have a customer centric approach delivering the best food products to its B2C customers and leveraging the strength of its brands, Savola Foods also aims to further strengthen and accelerate its B2B capabilities. Savola Foods Company is targeting to build a stronger B2B presence in the MENAT region under its newly created umbrella of "Savola Professional". It would include maximizing current product range through customizations and innovations for the B2B customers.

4.6.2 Panda Retail Company Strategy

As the Kingdom's largest retailer with over 20%[93] market share. Panda's strategic aspiration over the next 5 years is to "strengthen market leadership in grocery retail, targeting key customer segments by delivering unmatched value for money and delightful customer experiences across the Kingdom". Currently, Panda has 188 stores in over 45 cities across the Kingdom and 6 stores in Egypt.

93 Source: Nielsen Market Audit report dated January 2024.

Panda performance Journey

Between 2018G to 2021G

Panda management through its strategic and operational turnaround exercise, has demonstrated strong capability in diagnosing challenges, rightsizing, defining its strategy in the Kingdom and revamping the technology infrastructure, while testing different store revamp models in the market. Despite the disruption resulting from COVID-19 in 2020G and 2021G, the management was able to successfully strategize for the future, agree on the right store revamping formula and complete the implementation of a new IT infrastructure for the organization. As a result, the CXR was launched by Savola, focusing on improving the appearances of the stores, improving the shoppers' journey and experience, as well as implementing a deep overhaul of Panda's retailing capabilities including sourcing and inventory management, category management, logistics and human capital.

From 2022G to 2023G

During this period, Panda's strategic focus was to (i) rollout the CXR program on an initial 75 stores, (ii) streamline the company processes with the newly implemented IT back end, (iii) implement key cost and operational optimization initiatives. As a result, Panda has successfully completed the planned 75 stores, further optimized the stores footprint and created a high-performance culture throughout the organization. Today, Panda has shown momentum of improvement in its financial performance by achieving operational breakeven in FY 2023G and returning to growth mode with the opening of 7 new stores in the Kingdom in Q4 2023G.

Panda's strategy for the next 5 years (2023G-2028G)

Panda's next 5 years journey is all about growth and innovation, building even more advanced capabilities and developing the business with focus on robust financial performance. The aim is to strengthen market leadership in Saudi Arabia's grocery retail market by growing its outlets and omni-channels (both brick & mortar and online) presence and envision itself to continue leading the future of grocery retail in the Kingdom.

Going forward, Panda expects to receive an upside from the continued deployment of the CXR program which has been delivering positive outcome with a further 32 CXR stores in 2024G, while implementing the key strategic growth drivers: (i) expansion of physical footprint during the coming 5 years; (ii) leading the online grocery retail in the Kingdom; and (iii) innovation driven by consumer understanding through advance data analytics.

With a clear path today towards a sustainable and improved financial performance, Savola Group may consider a listing of Panda in the future.

The key pillars of this strategy have been elaborated below:

i- Expand Presence and Reach Through Omnichannel Leadership

Brick and Mortar – expand the offline footprint across different and innovative store formats in tier 1, 2 and 3 cities in the Kingdom, where Panda aims to open 14 new stores in 2024G and continue its footprint expansion going forward.

Develop a strong online customer proposition – recently Panda has signed an agreement with Ocado – a global leader in online grocery retail based out of the United Kingdom – where Panda will use Ocado's technology and long accumulation of operations know-how to revamp its online proposition and capture the growing online grocery retail market in the Kingdom. Panda will develop centralized fulfilment centers in key cities in the Kingdom to fulfil customers' online demand across the Kingdom. Panda aims to also lead the online grocery retail in the Kingdom.

ii- Unlock Value via Data Analysis and Innovation

Customer relationship management – by organizing and centralizing the principal practices and guidelines of interacting with customers by building on Data & Technology and creating personalized experiences for all shoppers across all sales channels.

Retail media network – Panda is also aligning its investments in technology, both hardware and software, to adopt AI and Machine Learning solutions to build a "network" that enables advertising and promotional opportunities for suppliers by utilizing customer touchpoints and data analytics. This will deliver targeted advertising to its customers while enhancing the overall shopping experience.

iii- Drive Commercial and Operational Excellence

Optimized organization – Panda is aiming to optimize its core operations and improve its cost structures across the organization. It also aims to lead in operational excellence via implementation of "Global Capability Centers", and other tools to ensure optimization of both operating and senior management costs.

Supply chain optimization– by creating sourcing hubs for products across various geographic areas, and optimizing logistics cost while ensuring store availability of products and sufficient responses to supply requirements.

Drive commercial excellence – by encouraging sale of Panda branded and competitively priced private label products, which are more profitable than third party branded equivalents. Panda branded product offerings also have the additional benefit of reducing advertising expenses and will help increase Panda's brand equity.

4.6.3 Al Kabeer Group

Product innovation led growth

Al Kabeer Group focuses on continuous product enhancements and innovations to keep up with consumer trends and changing tastes. The company's strategy is led by these new product launches and extension of current portfolio. Al Kabeer has launched around 15 new product, variants and format in 2023G catering to both retail and wholesale segments. The company has recently launched various new variants of its products such as stuffed falafel and chicken strips in different flavors and also entered into partnership with other food product companies to co-launch different frozen products.

Revamping the "Al Kabeer" brand identity

Al Kabeer Group has invested in revamping its brand identity. In 2023G, Al Kabeer Group launched a new logo and introduced new packaging for its products while it is moving ahead with the strategy of re-imaging its brand identity and strengthening its position in the competitive landscape of frozen processed food segment among the consumers.

Key defined focus areas

Al Kabeer Group is working on its defined strategy to focus on 3 key areas for future growth which includes: (i) Chicken as focus and main category; (ii) Saudi Arabia as focus geography; and (iii) Modern Trade as focus sales channel. Al Kabeer Group has defined these 3 focus areas as key ingredients to push further its near-term growth.

Governance and nationalization in Saudi Arabia

Al Kabeer Group is further investing in corporate governance, along with marketing efforts and product innovation in order to drive sustained and steady growth in the business. The business is also working towards products nationalization consistent with the Saudi Arabia's effort and Vision to be self-sufficient in the protein space.

4.7 Evolution of the Company's Share Capital

On 25/05/1412H (corresponding to 01/12/1991G), the Company listed and registered one million eight hundred thousand (1,800,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share on the Saudi Stock Exchange ("Tadawul"), of which one million two hundred thousand (1,200,000) ordinary shares were offered for public subscription for a nominal value of one hundred (100) Saudi Riyals per share, representing 66.66% of the Company's share capital. Upon the listing of the Company on Tadawul, its share capital amounted to three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share.

On 29/11/1416H (corresponding to 17/04/1996G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred million (300,000,000) Saudi Riyals, divided into three million (3,000,000) ordinary shares to three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each six (6) shares owned by the shareholders registered on the Company's shareholder register.

On 27/11/1418H (corresponding to 25/03/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three hundred fifty million (350,000,000) divided into three million five hundred thousand (3,500,000) ordinary shares to four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares with a nominal value of one hundred (100) Saudi Riyals per share, through the grant of one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register.

On 11/09/1419G (corresponding to 25/12/1998G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from four hundred million (400,000,000) Saudi Riyals divided into four million (4,000,000) ordinary shares to five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the issuance of three million (3,000,000) new shares, for the purpose of acquiring the shares of shareholders of Alazizia Panda United Company by allocating one (1) share for each six (6) shares in Alazizia Panda United Company.

On 13/09/1420H (corresponding to 21/12/1999G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from five hundred fifty million (550,000,000) Saudi Riyals divided into eleven million (11,000,000) to six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant one (1) bonus share for each seven (7) shares owned by the shareholders registered on the Company's shareholder register.

On 05/05/1424H (corresponding to 05/07/2003G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from six hundred twenty-eight million five hundred seventy-one thousand four hundred (628,571,400) Saudi Riyals divided into twelve million five hundred seventy-one thousand four hundred twenty-eight (12,571,428) ordinary shares to eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each 3.6667 shares owned by the shareholders registered on the Company's shareholder register.

On 29/03/1425H (corresponding to 18/05/2004G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from eight hundred million (800,000,000) Saudi Riyals divided into sixteen million (16,000,000) ordinary shares to one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus shares for each four (4) shares owned by the shareholders registered on the Company's shareholder register.

On 09/02/1426H (corresponding to 19/03/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion (1,000,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares to one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares with nominal value fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register.

On 10/06/1426H (corresponding to 16/07/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion two hundred fifty million (1,250,000,000) Saudi Riyals divided into twenty five million (25,000,000) ordinary shares to one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares with nominal value of fifty (50) Saudi Riyals per share through the grant of one (1) bonus share for each five (5) shares owned by the shareholders registered on the Company's shareholder register.

On 14/10/1426H (corresponding to 16/11/2005G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion five hundred million (1,500,000,000) Saudi Riyals divided into thirty million (30,000,000) ordinary shares to one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares with a value of four hundred (400) Saudi Riyals per share (representing a nominal value of fifty (50) Saudi Riyals and an issuance premium of three hundred and fifty (350) Saudi Riyals), through the issuance of six million (6,000,000) right issue shares at the rate of one (1) share for each five (5) shares owned by the shareholders registered on the Company's shareholder register.

On 17/03/1427H (corresponding to 15/04/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from one billion eight hundred million (1,800,000,000) Saudi Riyals divided into thirty-six million (36,000,000) ordinary shares to three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one hundred twenty million (120,000,000) bonus shares.

On 18/09/1427H (corresponding to 11/10/2006G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion (3,000,000,000) Saudi Riyals divided into three hundred million (300,000,000) ordinary shares to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares with nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each four (4) shares owned by the shareholders registered on the Company's shareholder register.

On 17/03/1429H (corresponding to 25/03/2008G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred seventy five million (375,000,000) ordinary shares to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the grant of one (1) bonus share for each three (3) shares owned by the shareholders registered on the Company's shareholder register.

On 01/01/1435H (corresponding to 04/11/2013G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion (5,000,000,000) Saudi Riyals divided into five hundred million (500,000,000) ordinary shares to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with a nominal value of ten (10) Saudi Riyals per share through the issuance of thirty-three million nine hundred eighty thousand eight hundred forty (33,980,840) new shares as consideration for the acquisition of the shares owned (directly or indirectly) by AlMuhaidib Holding Company in each of Savola Foods Company (representing 10%) and Alazizia Panda Limited Company (representing 18.6%).

On [•]H (corresponding to [•]G), a meeting of the Extraordinary General Assembly was held and approved the increase of the Company's share capital from to five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares to 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 through a rights issue.

4.8 The Company's Substantial Shareholders

The Substantial Shareholders of the Company, who each owns 5% or more of the Company's share capital, consist of (i) three companies, namely, Assila Investments Company, Abdulkader AlMuhaidib and Sons Company and AlMuhaidib Holding Company; and (ii) one individual, namely, Abdullah Mohammed Abdullah AlRabiah.

The table below sets out the shareholding of the Substantial Shareholders as of the date of this Prospectus:

Table (4.1): Shareholding of Substantial Shareholders

Shareholder	Pre-Offering Ownership (Direct)		Post-Offering Ownership (Direct)*	
	Number of Shares	Ownership	Number of Shares	Ownership
Assila Investments Company (Closed JSC)	60,000,000	11.236%	127,418,169	11.236%
Abdulkader AlMuhaidib and Sons Company (Closed JSC)	43,966,110	8.234%	93,368,021	8.234%
Abdullah Mohammed Abdullah AlRabiah	43,892,500	8.22%	93,211,700	8.22%
AlMuhaidib Holding Company	33,980,684	6.364%	72,162,609	6.364%

Source: Tadawul's and the Company's websites as at 05/12/1445H (corresponding to 11/06/2024G).

* Assuming all Substantial Shareholders fully subscribe to their shares in the Rights Issue.

N.B.: It should be noted that some Substantial Shareholders, namely Assila Investments Company (Closed JSC), Abdulkader AlMuhaidib and Sons Company (Closed JSC), and AlMuhaidib Holding Company, have committed to subscribing to their shares of the Rights Issue shares. Additionally, other shareholders, including but not limited to, the General Organization for Social Insurance and its subsidiaries, have committed to subscribing to their share of the Rights Issue shares. The total Rights Issue shares that shareholders (including Substantial Shareholders and non-Substantial Shareholders) have committed to subscribe to represent 48% of the total Offering.

4.9 Business Interruption

There has been no material suspension or interruption in the Company's or any of its Subsidiaries' business during the twelve-month period preceding the date of this Prospectus which would affect or have a significant impact on the Company's financial position and no material change in the nature of its business is contemplated.

5.
ORGANIZATIONAL STRUCTURE OF THE COMPANY

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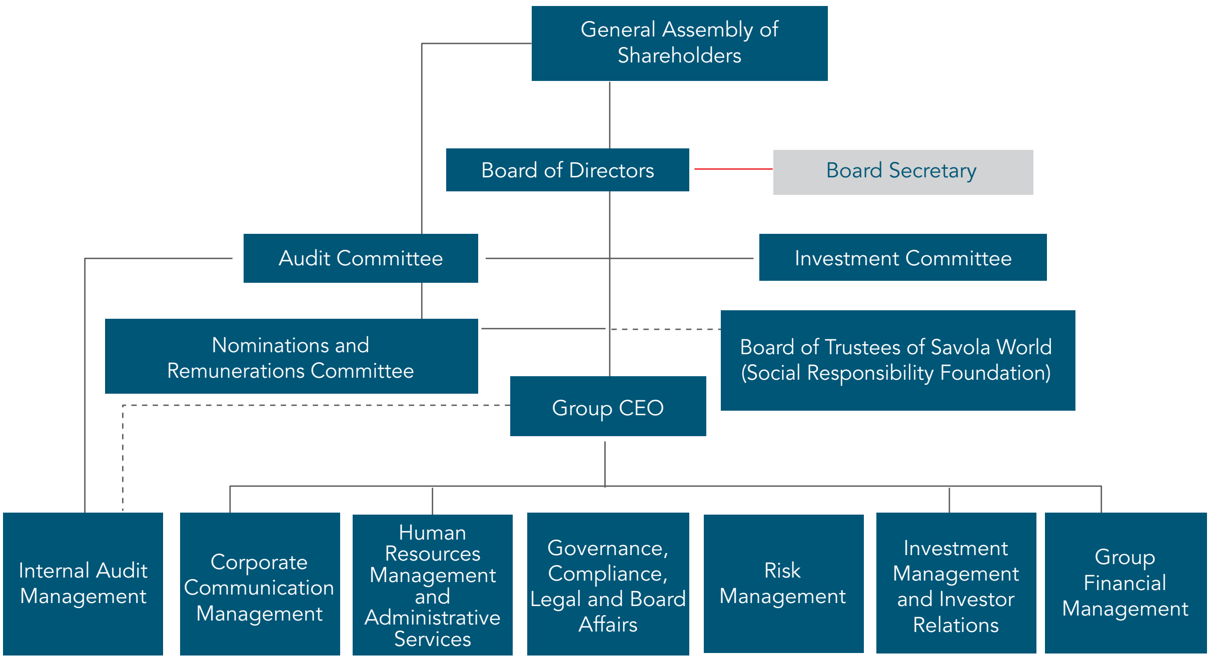
5. ORGANIZATIONAL STRUCTURE OF THE COMPANY

The Company's organizational structure consists of the Board of Directors (the "**Board**") and the Board Committees, namely the Audit Committee, the Nomination and Remuneration Committee and the Investment Committee. The Board is responsible for the overall direction, supervision and oversight of the Company and the executive management team, in addition to the other duties and responsibilities of the Board set forth in the Company's Articles of Association, Corporate Governance Manual and related Laws.

The following chart sets out the organizational structure of the Company as at the date of this Prospectus.

Figure (5.1): The Company's Organizational Structure as at the date of this Prospectus



Source: The Company

5.1 Board Members and Board Secretary

5.1.1 Formation of the Board of Directors

Under the Company's Bylaws, the Board of Directors shall be comprised of eleven (11) natural persons, elected by the Ordinary General Assembly of Shareholders for a term not exceeding four years. The duties and responsibilities of the Board of Directors are defined in both the Company's Bylaws and the Internal Corporate Governance Manual in accordance with the Companies Law and Implementing Regulations thereof for Listed Joint Stock Companies and the Corporate Governance Regulations.

As at the date of this Prospectus, the Board of Directors consists of eleven (11) members. The General Assembly appointed the current Board of Directors starting from 01/07/2022G until 30/06/2025G.

The following table sets out the names of the Directors as at the date of this Prospectus.

Table (5.1): Members of the Company's Board of Directors

No.	Name	Nationality	Age	Position	Membership status - Interdependency status	Direct Ownership Ratio	Indirect Ownership Ratio
1.	Sulaiman Abdulkader Almuhaidib	Saudi	69	Chairman of the Board	Non-executive – Non-independent	0.0001873%	-
2.	Bader Abdullah Mohammed Alissa	Saudi	45	Vice Chairman of the Board	Non-executive – Non-independent	0.0001920%	-
3.	Mutaz Kusai Hassan Alazzawi	Saudi	52	Board Member	Non-executive – Non-independent	0.0001873%	-
4.	Ahmed Waza Mohammed Alqahtani	Saudi	39	Board Member	Non-executive – Non-independent	-	-
5.	Fahad Abdullah Abdulaziz Alkassim	Saudi	58	Board Member	Non-executive – Non-independent	0.0003745%	-
6.	Ahmad Abdulrhman Saleh Alhumaidan	Saudi	34	Board Member	Non-executive – Non-independent	-	-
7.	Isam Majid Abdullatif Almuhaideb	Emirati	52	Board Member	Non-executive – Non-independent	0.0045000%	-
8.	Mohammed Ibrahim Mohammed Alissa	Saudi	40	Board Member	Non-executive – Independent	0.0001873%	-
9.	Rakan Abdulaziz Alfadl	Saudi	44	Board Member	Non-executive – Independent	0.0266040%	-
10.	Bader Hamad Abdullah Alrabiah	Kuwaiti	42	Board Member	Non-executive – Independent	0.0004682%	-
11.	Waled Abdullah Alghreri	Saudi	41	Board Member	Non-executive – Independent	0.0001264%	-

Source: The Company

5.2 Company Committees and Board of Directors

5.2.1 Audit Committee

The Audit Committee is comprised five (5) members appointed by a resolution of the General Assembly of Shareholders held on 15/10/1443H (corresponding to 16/05/2022G) approving the formation of the Audit Committee, defining its duties, work rules, and the remuneration of its members, effective from 05/03/1444H (corresponding to 01/10/2022G). The following table sets out the names of Audit Committee members:

Table (5.2): Audit Committee Members

No.	Name	Position
1.	Fahad Abdullah Alkassim	Chairman of the Audit Committee
2.	Mohammed Ibrahim Alissa	Member of the Audit Committee
3.	Bader Hamad Abdullah Alrabiah	Member of the Audit Committee
4.	Tareq Abdullah Algaraawi	Member of the Audit Committee
5.	Jassim Shaheen Alrumaihi	Member of the Audit Committee

Source: The Company

Audit Committee Responsibilities

The duties and responsibilities of the Audit Committee include the following:

- Review and reassess the adequacy of the functions, rules and controls stipulated in the Bylaws from time to time, and recommend any proposed changes thereto to the Board of Directors, who will consider them and recommend them to the General Assembly of Shareholders.
- Monitor the Company's business and verify that policies and procedures that ensure the integrity of the financial reports and statements and the internal control systems.

Financial Reports:

- Review the preliminary quarterly and annual financial statements before presenting them to the Board of Directors and expressing an opinion and recommendation thereon to ensure their integrity, fairness and transparency.
- Provide a technical opinion upon request by the Board of Directors regarding whether the annual report of the Board and the Company's financial statements are fair, balanced, understandable, and include information that enables shareholders and investors to evaluate the Company's financial position, performance, business model, and strategy.
- Assess any significant or unfamiliar issues included in the financial reports and accounts.
- Investigate any issues raised by the Company's Chief Financial Officer or equivalent thereof, Compliance Officer, or auditors.
- Verify the accounting estimates in material matters included in the financial reports.
- Review the accounting policies followed by the Company and express opinions and recommendations to the Board of Directors in that regard.

Internal Audit:

- Analyze and review the Company's internal control, financial management, and risk management systems.
- Oversee internal audit plans and operations and ensure their effective implementation in accordance with relevant regulations, laws, and professional practices.
- Analyze internal audit reports and monitor the implementation of corrective actions related to any observations mentioned in the reports.
- Monitor and supervise the performance and activities of internal auditors and the Internal Audit Department of the Company to ensure the availability of necessary resources and their effectiveness in performing assigned activities and duties.
- Verify the independence of internal auditors and enable them to effectively perform their duties.
- Provide recommendations to the Board of Directors regarding the appointment and/or termination of the Chief Internal Auditor or internal auditors and proposing the remuneration thereof.

External Auditor:

- Provide recommendations to the Board of Directors for nominating external auditors, terminating their services, determining their remuneration, and evaluating their performance after ensuring their independence and reviewing their scope of work and terms of engagement.
- Verify the independence, objectiveness, fairness, and effectiveness of the external auditor, in light of relevant rules and standards.
- Review the Company's external audit plan, activities, and ensure that there are no violations or failures in the performance thereof, and that no technical, administrative, or consulting work is conducted outside the scope of audit activities, and express an opinion in that regard.
- Respond to inquiries from the Company's external auditor.
- Review the reports of the external auditors and their observations on the financial statements, and oversee the actions taken in that regard.

Ensuring Compliance

- Review the results of regulatory reports and verify that the Company takes necessary actions in that regard.
- Supervise the Company's compliance with relevant laws, regulations, policies, and instructions related to its scope of work.
- Review contracts and proposed transactions that the Company intends to undertake with Related Parties and cases of potential conflicts of interest, if any, and provide recommendations to the Board of Directors in that regard.
- Raise any matters that the Committee deems necessary to be acted upon to the Board of Directors, and make recommendations on the steps that need to be taken.

5.2.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised of five (5) members appointed by virtue of the Board of Directors' decision dated 15/10/1443H (corresponding to 16/05/2022G) approving the formation of the Nomination and Remuneration Committee and defining its tasks, work rules and remuneration of its members starting from 02/12/1443H (corresponding to 01/07/2022G). The following table sets out the names of the members of the Nomination and Remuneration Committee:

Table (5.3): Members of the Nomination and Remunerations Committee

No.	Name	Position
1.	Rakan Abdulaziz Alfadl	Chairman of the Nomination and Remuneration Committee
2.	Ahmed Waza Alqahtani	Member of the Nomination and Remuneration Committee
3.	Bader Abdullah Alissa	Member of the Nomination and Remuneration Committee
4.	Bader Hamad Alrabiah	Member of the Nomination and Remuneration Committee
5.	Johan Henri brand	Member of the Nomination and Remuneration Committee

Source: The Company

Responsibilities of the Nomination and Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

Nomination:

- Propose clear policies and standards for membership on the Board of Directors, executive management, and Company representatives in Subsidiaries.
- Recommend to the Board of Directors the nomination, re-nomination, and removal of members based on approved policies and standards, ensuring that individuals with prior convictions of dishonesty are not nominated.
- Annual review of the required skills or experiences for Board membership and executive management positions, preparing a description of the capabilities and qualifications needed for Board membership and executive roles.
- Determine the time commitment expected from Board members.
- Review the structure of the Board, committees, and executive management, and provide recommendations for any necessary changes.
- Develop job descriptions for executive and non-executive members, independent members, and senior executives.
- Establish procedures for filling vacant Board or executive positions.

- Identify strengths and weaknesses within the Board and propose solutions in line with the Company's interests, through:
  - Proposing the necessary mechanisms for evaluating the performance of the Board, its members, committees, and executive management annually, which is done through appropriate performance metrics linked to achieving the Company's strategic objectives, the quality of risk management, adequacy of internal control systems, and others. It identifies strengths and weaknesses and suggests remedies in line with the company's interests.
  - Assisting the Board in arranging for external evaluations of its performance every three years and supervise the evaluation process.
- Review committee remuneration and recommending any adjustments to the Board for approval, as well as provide recommendations to the Board when vacancies occur on any committee.
- Annually verify the independence of independent members and ensure the absence of conflicts of interest if a member serves on the board of another company.
- Review and evaluate the CEO's recommendations regarding the appointment and termination of senior executives.
- Studying and reviewing succession and replacement plans for the company in general and for the Board, CEO, and senior executives in particular.
- Provide appropriate training and orientation for new Board and committee members and executive management on the Company's operations, business processes, strategies, financial aspects, and achievements, along with their obligations, duties, rights, and committee roles and responsibilities.
- Develop mechanisms for providing continuous training programs and courses for both Board members and executive management to enhance their skills and knowledge in areas relevant to the Company's activities.

Remuneration:

- Prepare a clear policy for the remuneration of members of the Board of Directors, the committees emanating therefrom and executive management that enhances the motivation of the administrative apparatus and the retention of distinguished cadres, and submit it to the Board of Directors for consideration in preparation for its approval by the General Assembly, provided that said policy takes into account the adoption of performance-related criteria, disclosure, and implementation.
- Clarify the relationship between the rewards granted and the applicable remuneration policy, and indicate any material deviation from this policy.
- Periodically review the remuneration policy and assess its effectiveness in achieving intended objectives.
- Recommend to the Board of Directors the remuneration of Board members, Board committees and senior executives in accordance with the approved policy.
- Review the CEO's financial remuneration, including long- and short-term incentives, while also determining the expected outcome ceiling to be achieved by the CEO, and make recommendations regarding them to the Board of Directors.

Company Governance:

- Verify the Company's compliance with the Corporate Governance Regulations as issued by the Capital Market Authority and the Company's governance manual and policies.
- Review and update the governance manual and rules in accordance with regulatory requirements and best practices.
- Review and develop codes of professional conduct that represent the Company's values, as well as other internal policies and procedures that meet the Company's needs and align with best practices.
- Keep the Board of Directors informed about developments in corporate governance and best practices.
- Monitor any issues regarding governance practices and provide the Board of Directors, at least annually, with reports and recommendations in that regard.

Other Duties:

- Assist the Board of Directors in developing and reviewing the Company's organizational structure and operational model governing the relationship between the parent company and its subsidiaries.
- Monitor the implementation of the employee grievance policy and ensure the effectiveness thereof.

5.2.3 Investment Committee

The Investment Committee is comprised of five (5) members appointed by virtue of the Board of Directors' decision dated 15/10/1443H (corresponding to 16/05/2022G) approving the formation of the Investment Committee and defining its tasks, work rules and remuneration of its members starting from 02/12/1443H (corresponding to 01/07/2022G). The following table sets out the names of the members of the Investment Committee:

Table (5.4): Members of the Investment Committee

No.	Name	Position
1.	Mutaz Kusai Alazzawi	Chairman of the Investment Committee
2.	Ahmad Abdulrhman Alhumaidan	Member of the Investment Committee
3.	Mohammed Ibrahim Alissa	Member of the Investment Committee
4.	Isam Majid Almuhaideb	Member of the Investment Committee
5.	Waled Abdullah Alghreri	Member of the Investment Committee

Source: The Company

Responsibilities of the Investment Committee

The duties and responsibilities of the Investment Committee include the following:

- Review and recommend to the Board of Directors the overall framework for total capital allocations and the model and structure used to implement Savola Group's investment activities, taking into account relevant factors such as return on invested capital targets, capital allocation comparisons, risk limits and the company's strategic objectives.
- Periodically review the Company's performance in accordance with the criteria set forth herein and in light of the Group's operating model as an investment holding company.
- Review and recommend to the Board of Directors investment opportunities, mergers, acquisitions and partnerships in light of the matrix of powers approved by the Board of Directors in this regard.
- Review the impact of proposed transactions on the Group's financial position, including the required financing, and assess the impact on liquidity and indebtedness ratios, and make recommendations to the Board in that regard.
- Review the progress of integration procedures and programs following the merger or acquisition of the acquired business during the first three-month period following the completion of any transaction to ensure that the acquired business is smoothly integrated into the Group's business activities and that the 100-day post-acquisition plan is adhered to.
- The Committee may undertake any other tasks consistent with its purposes, duties and responsibilities and any other tasks as required thereof by the Board of Directors.

5.3 Senior Management

5.3.1 Overview of Senior Management

Senior Management is comprised of qualified members, both Saudis and non-Saudis, who possess extensive local and international expertise in the food and retail sectors. The primary responsibility of the CEO is to manage the Company's affairs and oversee its performance, along with supervising the executive team, in line with the objectives and directives of the Board of Directors, decisions of the Shareholders' Assembly, and in compliance with applicable laws, the Company's Bylaws, and internal policies.

Senior Management is currently comprised of seven (7) members, as set out in the table below:

Table (5.5): Senior Management Details

No.	Name	Nationality	Age	Position	Appointment Date to the Current Position	Direct Ownership Ratio	Indirect Ownership Ratio
1.	Waleed Khalid Yassin Fatani	Saudi	57	Savola Group CEO	17/05/1442H (corresponding to 01/01/2021G) (automatically renewed)	0.0028%	-
2.	Bandar Talaat Hamooh	Saudi	57	CEO of Panda Retail Company	26/09/1437H (corresponding to 01/07/2016G) (automatically renewed)	0.0019%	-
3.	Sameh Mahmoud Hassan Mahmoud	Egyptian	58	CEO of Savola Food Company	23/03/1440H (corresponding to 01/12/2018G) (automatically renewed)	0.0047%	-
4.	Wajid Usman Khan	Pakistani	46	Group CFO	11/02/1428H (corresponding to 01/03/2007G) (automatically renewed)	0.0014%	-
5.	Mohammad Jamil Mohammad Nasr	Jordanian	46	Group Chief Investment Officer (CIO)	30/04/1440H corresponding to 06/01/2019G (automatically renewed)	-	-
6.	Elnour Ali Saad	Sudanese	52	Chief Governance, Compliance and Legal Officer and Board Secretary	04/09/1419H (corresponding to 22/12/1998G) (automatically renewed)	0.0039%	-
7.	Morhaf Mohammed Abdulghani Alsamman	Saudi	43	Chief Human Resources Officer (CHRO)	12/06/1437H (corresponding to 21/03/2016G) (automatically renewed)	0.0008%	-

Source: The Company

5.4 Interests of Board members and their relatives in the Company's equity or debt instruments and its Subsidiaries

The table below sets out the interest of Board members and their relatives in the Company's equity or debt instruments as of 30 June 2024G:

Board members and their relatives							
No.	Person to whom the interest, contractual papers, or Rights belong	Beginning of the year		End of year		Net change	% change
		No. of shares	Debt instruments	No. of shares	Debt instruments		
First: Board Members:							
1.	Sulaiman Abdulkader Almuhaidib	1,000	0	1,000	0	0	0%
2.	Bader Abdullah Mohammed Alissa	1,025	0	1,025	0	0	0%
3.	Mutaz Kusai Hassan Alazzawi	2,000	0	2,000	0	0	0%
4.	Ahmed Waza Mohammed Alqahtani	142,060	0	142,060	0	0	0%

Board members and their relatives							
No.	Person to whom the interest, contractual papers, or Rights belong	Beginning of the year		End of year		Net change	% change
		No. of shares	Debt instruments	No. of shares	Debt instruments		
5.	Fahad Abdullah Abdulaziz Alkassim	1,000	0	1,000	0	0	0%
6.	Ahmad Abdulrhman Saleh Alhumaidan	0	0	0	0	0	0%
7.	Isam Majid Abdullatif AlMuhaideb	0	0	0	0	0	0%
8.	Mohammed Ibrahim Mohammed Alissa	2,500	0	2,500	0	0	0%
9.	Rakan Abdulaziz Alfadl	675	0	675	0	0	0%
10.	Bader Hamad Abdullah Alrabiah	1,000	0	1,000	0	0	0%
11.	Waled Abdullah Alghreri	24,029	0	24,029	0	0	0%
Second: Board Member relatives: N/A							

Source: The Company

The table below sets out the interest of Board members and their relatives in the equity or debt instruments of Herfy Food Services Company (part of Savola Group) as of 31 December 2023G:

Board members and their relatives							
No.	Person to whom the interest, contractual papers, or Rights belong	Beginning of the year		End of year		Net change	% change
		No. of shares	Debt instruments	No. of shares	Debt instruments		
First: Board Members:							
1.	Mutaz Kusai Alazzawi	1,400	0	1,400	0	0	0%
2.	Isam Majid Almuhaideb	1	0	1	0	0	0%
Second: Board Member relatives: N/A							

6.

EMPLOYEES

6. EMPLOYEES

6.1 Employee share programs in existence prior to the filing of the registration application and acceptance of the listing of Rights

The Company has a long-term employee incentive program for the executives of Savola Group and its Subsidiaries, which was launched in 2020G and approved by the Extraordinary General Assembly of Shareholders. This program aims to attract, retain and motivate outstanding talent and cadres to achieve Savola Group's objectives by granting employees shares in the Company's capital in accordance with the terms and conditions of the program approved by the Board of Directors. As of 30 June 2024G, the treasury shares allocated to this program amounted to 3,264,452 shares. The shares owned by the senior executives amounted to 82,708 shares as of 30 June 2024G.

6.2 Employee Shareholding Arrangements

Save as referred to in paragraph 6-1 above, there are no employee shareholding arrangements in place as at the date of this Prospectus.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7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

7.1 Introduction

The Management Discussion and Analysis section of Savola Group Company and its subsidiaries (collectively referred to in this section as the "**Group**") provides an analytical presentation of the Group's operating performance and financial position during the financial years ending on 31 December 2021G, 2022G, and 2023G.

This section and the accompanying notes have been prepared based on the audited consolidated financial statements for the financial years ending on 31 December 2021G, 2022G, and 2023G. The audited consolidated financial statements for the financial years ending on 31 December 2021G, 2022G, and 2023G were audited in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia (Saudi Arabia) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") by KPMG Professional Services.

The financial statements were prepared on a consolidated basis in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia (Saudi Arabia) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"); collectively referred as (International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia) and in accordance with the Regulations for Companies and the Company's Bylaws as applicable to the preparation of consolidated financial statements for the years ended 31 December 2021G, 2022G and 2023G and were extracted without material adjustment from audited financial statements. The financial information was also presented in a form consistent with that adopted in the issuer's annual financial statements.

Neither KPMG Professional Services nor any of its subsidiaries, employees, or any of their relatives owns any shares, stakes, or interest of any kind in the Group that might affect its independence as of the date of issuance of the audited consolidated financial statements. As of the date of this Prospectus, KPMG Professional Services has provided it written consent to indicate in this Prospectus its role as an auditor for the Group's accounts for the financial years ending on 31 December 2021G, 2022G, and 2023G, and it has not withdrawn that approval as of the date of issuance of this Prospectus.

The above-mentioned financial statements are an integral part of this Prospectus and should be read in conjunction with these financial statements and their supplementary notes, and these financial statements are contained in Section 19 "**The Financial Statements and Auditors Report**" of this Prospectus.

All figures in this section have been rounded to the nearest millions Saudi riyals unless otherwise stated, and numbers and percentages have been rounded to the nearest decimal place. Therefore, the sum of these numbers may differ from what is shown in the tables.

The financial information for the financial year ended on 31 December 2021G was used from the comparative financial information presented in the audited consolidated financial statements for the financial year ended on 31 December 2022G, and the financial information was used for the financial years ended on 31 December 2022G and 2023G from the audited consolidated financial statements for the financial year ended on 31 December 2023G.

This section may include statements of a forward-looking nature relating to the future capabilities of the Group, based on management's plans and expectations regarding the Group's growth, results of operations and financial position as well as the risks and uncertainties associated therewith. The Group's actual results may differ materially from the expected results as a result of many factors, risks and future events, including those discussed in this section of the Prospectus or elsewhere, in particular Section 2 ("**Risk Factors**") of this Prospectus.

7.2 Directors' Declaration for Financial Statements

1- The Board of Directors declare that the financial information contained in this section is extracted without material modifications from the audited financial statements and is presented in accordance with the audited consolidated financial statements for the years ended on 31 December 2021G, 2022G, and 2023G. The previously mentioned statements were prepared by the Group in accordance with the International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and reviewed by the Group's auditor in the Kingdom of Saudi Arabia "KPMG Professional Services".

2- The Board of Directors declare that the Group has sufficient working capital for a period of at least (12) months immediately following the date of publication of the Prospectus.

3- The Board of Directors declare that there has been no material negative change in the financial and commercial position of the Group during the three (3) years immediately preceding the date of submitting the application for registration and offering the securities subject to this Prospectus, in addition to the end of the period covered in the auditor's report up to the date of issuance of this Prospectus, except for what is mentioned in this section or any other section of this Prospectus, in particular the factors mentioned in Section 2 ("**Risk Factors**") of this Prospectus.

4- The Board of Directors declare that all material facts relating to the Group and its financial performance have been disclosed in this Prospectus, and that there is no other information, documents, or facts whose failure to include would render any statement misleading.

5- The Board of Directors declare that the Company and its material subsidiaries do not have any property, including contractual securities or other assets, the value of which is subject to fluctuations or whose value is difficult to ascertain, which would significantly affect the assessment of the financial position, except for financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income, which were disclosed in Section 7 ("**Management Discussion and Analysis of Financial position and operating results**") of this Prospectus.

6- The Board of Directors declare that the Group have not granted any commissions, discounts, brokerage fees, or any non-monetary compensation during the three (3) years immediately preceding the date of submitting the application for registration and offering of securities subject to this Prospectus, in connection with the issuance or offering any securities to any of the members of the Board of Directors, senior executives, those presenting or offering securities, or experts who received any of these payments or benefits.

7- Other than what was stated in Section 7-7-2-3 ("**Non-Current Liabilities**"), Section 7-7-2-4 ("**Current Liabilities**") Section 7-7-2-3-1 ("**Loans and Facilities**") and Section 2-1-20 ("**Risks related to the Group's Current Financing Arrangements**") of this Prospectus, the members of the Board of Directors declare that the Group does not have any loans or other indebtedness, including overdrafts from bank accounts, obligations under acceptance, acceptance credit or lease purchase obligations, whether covered by a personal guarantee, not covered by a personal guarantee, secured by a mortgage, or not secured by a mortgage.

8- Other than what was stated in Section 7-7-2-3 ("**Non-Current Liabilities**") Section 7-7-2-4 ("**Current Liabilities**") and Section 7-7-2-3-1 ("**Loans and Facilities**") and Section 7-7-2-6 ("**Potential engagements and liabilities**") of this Prospectus, the Board of Directors declare that the Group do not have any contingent liabilities or guarantees as of the date of this Prospectus.

9- The Board of Directors declare that there is no intention of making any fundamental change to the nature of the Group's activities.

10- The Board of Directors confirm that the Group's operations have not been discontinued in a way that may have a significant impact on the Group's financial position during the past twelve (12) months.

11- The Board of Directors declare that the share capital of the Group and its subsidiaries is not subject to any option right.

12- Other than what is stated in Section 7-7-2-4 ("**Current Liabilities**") and Section 7-7-2-3-1 "**Loans and borrowings**" of this Prospectus, the members of the Board of Directors declare that the properties of the Group are not subject to any mortgages, rights, or charges as of the date of this Prospectus.

13- Other than what is stated in Section 4-5 ("**The Interests of Board Members and their Relatives in the Shares or Debt Instruments of the Company and its Subsidiaries**") of this Prospectus, neither the members of the Board of Directors nor any of their relatives have any shares or interest of any kind in the issuer or any of its subsidiaries.

14- Other than what is stated in Section 2 ("Risk Factors") of this Prospectus, the Group is not aware of any seasonal factors or economic cycles related to the activity that may have an impact on its business or financial position.

15- Other than what is stated in Section 2 ("**Risk Factors**") of this Prospectus, the Group does not have any information about any governmental, economic, financial, monetary, or political policies or any other factors that have influenced or may influence or could materially affect (directly or indirectly) operations.

16- The Board of Directors declare that there was no reservation in the auditor's report on the issuer's financial statements related to the issuer and its material subsidiaries for any of the three (3) financial years immediately preceding the date of submitting the application for registration and offering the securities subject to this Prospectus.

17- Notwithstanding what is stated in Section 8-4-2 ("**Balance Sheets**") of this Prospectus, the members of the Board of Directors acknowledge that no fundamental structural changes were made in the issuer during the last three (3) financial years immediately preceding the date of submitting the application for registration and offering of securities subject to this Prospectus.

18- The Board of Directors declare that there has been no material change in the accounting policies of the issuer and its material subsidiaries during the three (3) financial years immediately preceding the date of submitting the application for registration and offering of securities subject to this Prospectus in addition to the period covered in the auditor's report up to the date of issuance of this Prospectus.

19- The Board of Directors declare that there has been no material amendment to the audited consolidated financial statements announced related to the issuer and its material subsidiaries for any of the three (3) financial years immediately preceding the date of submitting the application for registration and offering of securities subject to this Prospectus in addition to the period covered in the auditor's report up to the date of issuance of this Prospectus.

20- The Board of Directors declare that there are no significant fixed assets to be purchased or leased by the Company or its subsidiaries.

7.3 Group Overview

Savola Group Company is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979G). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978G).

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

Savola Tower,

The Headquarter Business Park,

Prince Faisal Bin Fahad Street,

Jeddah 23511-7333,

Kingdom of Saudi Arabia.

Savola Group Company and its local and foreign subsidiaries (collectively referred as the "Group") are collectively involved in the manufacturing and sale of edible oils and in the setup of related industries, retail outlets, dairy products, fast foods, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to June 30, 2022) (hereinafter referred as the "New Law") came into force on 26/06/1444H (corresponding to January 19, 2023G) as well as the amended implementing regulations that were issued by the Capital Market Authority (CMA) based on the New Law. In this regard, the Company after assessing the impact of the New Law, convened an Extraordinary General Assembly meeting on 20/02/1444H (corresponding to May 10, 2023G), which has approved the amendment of certain provisions of the Company's Bylaws to ensure compliance with the requirements of the new Companies' Law and the amended CMA implementing regulations. Legal formalities associated with the Company's amended Bylaws were completed during the second quarter of 2023G.

At December 31, 2023G, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

I- Direct subsidiaries of the Company

i- Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Savola Foods Company ("SFC")	Saudi Arabia	Holding company	100	100	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	98.87	98.87	100
Good Food Company ("GFC")	Saudi Arabia	Holding company	100	100	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	80	80	80
Herfy Food Services Company ("Herfy")	Saudi Arabia	Restaurant & manufacturing bakery products	49	49	49

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

The Group considers that it controls Herfy even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Herfy with a 49% equity interest. The remaining 51% of the equity shares in Herfy are widely held by many other shareholders.

ii- Holding and Dormant subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Adeem Arabia Company (Adeem)	Saudi Arabia	Holding company	100	100	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	100	100	100
Al Matana Holding Company	Saudi Arabia	Holding company	100	100	100
Madarek Investment Company	Jordan	Holding company	100	100	100
United Properties Development Company	Saudi Arabia	Dormant company	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Subsidiaries controlled through Al Matana Holding Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
SGC Ventures Limited	Cayman Islands	Holding company	100	100	100
SGC Marketplace Venture	Cayman Islands	Holding company	100	100	100
SGC Agritech Ventures	Cayman Islands	Holding company	-	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

II- Savola Foods Company

The Parent Company has a 100% (December 31, 2022G: 100%) ownership interest in Savola Foods Company ("SFC"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated 21 Dhul Qadah 1435H (September 16, 2014G). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on 21 Rajab 1429H (8 July 2008G).

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

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	95.19	95.19	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	99	99	99
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	100	100	100
International Foods Industries Company ("IFI")	Saudi Arabia	Manufacturing of specialty fats	100	100	100
Snacking and Ingredients Food Holding Company Limited ("SIFCO")	UAE	Holding company	100	100	100
Commodities Sourcing Company for Trading	Saudi Arabia	Trading Company	100	100	100
Seafood International Two FZCO	UAE	Seafood products trading and distribution	100	100	100
Savola Industrial Sustainable Development Company (ISDC)	Saudi Arabia	Renewable energy	-	-	100
Savola Foods Emerging Markets Company Limited	British Virgin Islands (BVI)	Holding company	95.43	95.43	95.43
Savola Foods for Sugar Company	Cayman Islands	Dormant company	95	95	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	100	100	100

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Seafood International Holdco	Cayman Islands	Holding company	100	100	100
Al Maoun International Holding Company	Saudi Arabia	Holding company	100	100	100
Marasina International Real Estate Investment Limited	Saudi Arabia	Holding company	100	100	100
Afia Arabia for Foods	Saudi Arabia	Holding company	100	100	100
SIFCO					
Bayara Holding Limited	Cayman Islands	Holding company	100	100	100
Bayara FZE Limited	UAE	Holding company	100	100	100
Savola Snacks*	Egypt	Manufacturing of snacks	-	99	99

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

* The Group's subsidiary, Savola Snacks entered into an Asset Purchase Agreement (APA) dated 17 May 2022G, to acquire property, plant and equipment in Egypt against a total consideration of Egyptian pound 622 million (equivalent to SAR 122 million). In this regard, the consideration amount was transferred to an escrow account on 5 April 2022G, by the Group. During 2023G, all assets were acquired under the APA and transferred to Savola Snacks and accordingly payment in full was released to the seller. Hence, the APA and escrow stands completed at the reporting date.

a- Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Savola Behshahr Company ("SBeC")	Iran	Holding company	90	90	90
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding company	100	100	100
Savola Foods Limited ("SFL")	BVI	Holding company	100	100	100
Inveskz Inc.	BVI	Dormant company	90	90	90
Aseel Food – Hold Co.	Cayman Island	Holding company	100	100	100
Malintra Holdings	Luxembourg	Dormant company	100	100	100
Afia International Company – Jordan (under liquidation)	Jordan	Dormant company	98.57	98.57	98.57
Afia Trading International	BVI	Dormant company	100	100	100
Savola Foods International	BVI	Dormant company	100	100	100
SBeC					
Behshahr Industrial Company	Iran	Manufacturing of edible oils	79.9	79.9	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	100	100	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	100	100	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	90	90	100

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Behshahr Industrial Company					
Mahsoolat Daryaee Ta'm Afarin Saba Company (Sahel)	Iran	Seafood products trading and distribution	51	100	100
SFL					
Afia International Company, Egypt ("AICE")	Egypt	Manufacturing of edible oils	99.95	99.95	99.95
AICE					
Savola For Export and Import	Egypt	Trading and distribution	49	49	49
KUGU					
Savola Gida Sanayi Ve Ticaret Anonim Sirketi	Turkey	Manufacturing of edible oils	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

b- Subsidiaries controlled through Savola Industrial Investment Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	74.48	74.48	74.48
USC					
Alexandria Sugar Company, Egypt ("ASCE")*	Egypt	Manufacturing of sugar	62.13	62.13	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	100	100	100
ASCE					
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

* The Group's effective ownership interest in Alexandria Sugar Company, Egypt ("ASCE") is 71.66% at 31 December 2023G (31 December 2022G: 71.66%) by virtue of direct and indirect ownership. Effective ownership amounts to 69.66% at the level of SFC and 71.66% at the level of SGC.

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

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Afia International Company – Algeria	Algeria	Manufacturing of edible oils	100	100	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of edible oils	100	100	100
Savola Morocco Company	Morocco	Manufacturing of edible oils	100	100	-

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

d- Subsidiaries controlled through Savola Foods Company International Limited:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	100	100	100
Middle East Technology Ventures Limited	Cayman Island	Holding Company	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

e- Subsidiaries controlled through Al Maoun and Marasina

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Alofog Trading DMMC	UAE	Trading and distribution	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

f- Subsidiaries controlled through Seafood International Two FZCO

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Seafood International One FZCO	UAE	Seafood products distribution	80	80	80

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

g- Subsidiaries controlled through Bayara Holding Limited:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Kamali Investment Limited	UAE	Holding Company	100	100	100
Kandoo Worldwide Limited	BVI	Managing trademarks	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

h- Subsidiaries controlled through Bayara FZE

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
GYMA Food Industries LLC**	UAE	Processing of spices, nuts and pulses	48	100	100
Bayara Saudi Arabia Limited Group	Saudi Arabia	Processing of spices, nuts and pulses	100	100	100
GYMA Trading LLC	UAE	Trading of spices, nuts and pulses	-	-	100
Profood Holdings Limited (under liquidation)	UAE	Dormant company	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

** During the year ending 31 December 2022G, ownership of GYMA Food Industries was transferred to Bayara Saudi Arabia Limited Group, a free zone company from Profood Holdings Limited. However, there is no change in the actual ownership in GYMA Food Industries LLC for the purposes of the consolidated financial statements.

i- Subsidiaries controlled through Sea Food International Holdco

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Mahsoolat Daryaee Ta'm Afarin Saba Company ***	Iran	Seafood products trading and distribution	49	-	-

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

*** During 2022G, Sea Food International Holdco sold its 49 % stake in Mahsoolat Daryaee Ta'm Afarin Saba Company to BIC effective from 21 February 2022G, which is treated as common control transaction in these consolidated financial statements and hence transaction was carried out at carrying value.

III- Panda Retail Company

The Parent Company has a 100% (31 December 2022G: 98.87%) ownership interest in Panda Retail Company ("Panda"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated 22 Rajab 1431H (3 July 2010G). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on 1 Rabi-ul-Awal 1416H (28 July 1995).

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

During 2023G, the Group entered into a share purchase agreement with Saudi Geant Company Limited ("the Seller") to acquire the Seller's minority interest of 1.13% in Panda Retail Company in exchange for consideration amounting to SAR 60 million, resulting in an increase in Group's ownership interest in Panda to 100%. The transaction was classified as an acquisition without change in control and the resulting adjustment amounting to SAR 32.86 million was recorded in equity under "Effect of transactions with non-controlling interests without change in control".

Thereafter, on December 19, 2023G, the shareholders of Panda resolved in the Extraordinary General Assembly Meeting, to decrease the share capital of the Panda by SAR 695 million to absorb its accumulated losses followed by capital injection of SAR 800 million by the shareholders. The legal formalities in this regard were completed on 27 December 2023G.

Subsidiaries controlled through Panda:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Giant Stores Trading Company	Saudi Arabia	Retail	100	100	100
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	100	100	100
Panda International for Retail Trading	Egypt	Retail	100	100	100
Panda Bakeries Company	Saudi Arabia	Dormant company	100	100	100
Atabet Al Bab Communications and Information Technology LLC	Saudi Arabia	E-commerce	100	100	100
Giant					
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	95	95	95

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

IV- Good Food Company

The Parent Company has a 100% (31 December 2022G: 100%) ownership interest in Good Food Company ("GFC"), which was incorporated as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030603674 issued in Jeddah on 21 Rabi-ul-Thani 1439H (8 January 2018G).

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

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

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Variety Food Factory Company	Saudi Arabia	Manufacturing of frozen food	51	51	51
Al Ahsan Trading Company	Saudi Arabia	Trading and distribution	51	51	51
Al Helal Imports and Exports Company	Bahrain	Trading and distribution	51	51	51
Al Kabeer Holding Limited	UAE	Holding Company	51	51	51
Sahar Enterprises Company*	UAE	Trading and distribution	51	51	-
Sahar Food Industry Company*	UAE	Manufacturing of frozen food	51	51	-
Best Foodstuff Trading Company*	UAE	Trading and distribution	51	51	-

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Subsidiaries controlled through Al Kabeer Holding Limited:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)		
			December 31 2021G	December 31 2022G	December 31 2023G
Sahar Enterprises Company*	UAE	Trading and distribution	-	-	100
Sahar Food Industry Company*	UAE	Manufacturing of frozen food	-	-	100
Best Foodstuff Trading Company*	UAE	Trading and distribution	-	-	100
Cascade Investments Limited (CIL)	UAE	Investment company	100	100	100
Cascade Marine Foods Company	UAE	Manufacturing of frozen food	100	100	100
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	100	100	100
Best Foods Company	Oman	Trading and distribution	100	100	100

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

* On 31 December 2023G the entire shares of these companies were fully transferred to Al Kabeer Holding. Accordingly, the Group's effective ownership in these entities remains unchanged.

Material Subsidiaries

Savola Foods Company, Panda Retail Company, Herfy Food Services Company, Afia International Company (owned by Savola Foods Company) and Savola Industrial Investment Company (owned by Savola Foods Company) have been identified as material subsidiaries based on their contribution to the Group's revenue as shown in the analysis below.

Herfy is a listed company and Savola Group Company does not operationally manage Herfy and has a separate board of directors. As such, commentary on Herfy Food Services Company was limited on the basis of publicly available information.

Revenue by company

Subsidiary name	Revenue		
	2021G	2022G	2023G
Savola Foods Company	12,630	16,441	15,065
Panda Retail Company	10,476	10,114	10,331
Herfy Food Services Company	1,319	1,244	1,174
Others (including eliminations)	244	256	248
Total	**24,669**	**28,055**	**26,818**
As a % of total			
Savola Foods Company	51%	59%	56%
Panda Retail Company	42%	36%	38%
Herfy Food Services Company	5%	4%	4%

Source: Audited financial statements for the financial years ended 31 December 2022G and 2023G

Revenue by company under Savola Foods Company

Subsidiary name	Revenue		
	2021G	2022G	2023G
Afia International Company	7,188	10,873	10,487
Savola Industrial Investment Company	2,925	3,229	3,606
Others (including eliminations)	2,517	2,339	972
Total	**12,630**	**16,441**	**15,065**
As a % of total Group revenue			
Afia International Company	29%	39%	39%
Savola Industrial Investment Company	12%	12%	13%

Source: Audited financial statements for the financial years ended 31 December 2022G and 2023G

7.4 Key Factors Affecting the Company's Operations

- **Hyperinflationary accounting (IAS 29)**

The Group's foreign operations in Iran, Sudan and Turkey were subject to hyperinflation and reported amounts of the local operations have been adjusted in accordance with IAS 29. Based on the consolidated financial statements, the official statistics published for Iran, Sudan and Turkey have been used by the auditor to estimate the hyperinflation accounting impact recorded across the 2021G-2023G period. During 2022G, the Turkish economy was identified to be hyperinflationary (Iran and Sudan were identified to be inflationary prior to 2021G based on the criteria established by International Accounting Standard 29, 'Financial Reporting in Hyperinflationary Economies' ('IAS 29'). This was determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years and accordingly the reported amounts of the local operations have been adjusted in accordance with IAS 29. Please review Section 2-1-5 ("**Related to the Impact of Increasing Costs and Operating Expenses on the Group's Business**") in this prospectus for more information.

- **Sudan operations**

During 2023G, an armed conflict began in the Republic of Sudan. In this respect, the management has temporarily suspended production operations keeping in view the safety of its workforce and set-up a taskforce to closely monitor the situation and assess the impact on its operations. The onset of an armed conflict in the Republic of Sudan during 2023G led to identification of certain impairment indicators for the Group's subsidiary located in this territory. Accordingly, the recoverability of this entity's assets was assessed based on the value in use method. Consequently, impairment loss amounting to SAR 18 million was recorded in the consolidated audited financial statements in 2023G. And the Group recorded a receivable from insurance company for SAR 34 million following a claim made on its property, plant and equipment and inventory due to a missile that hit both the factory and warehouse. Revenue related to Sudan operations contributed to approximately 3% and 1% of the Group's revenue on 2022G and 2023G, respectively. Please review Section 2-1-7 ("**Risks Related to the Group's Operations Outside of the GCC and some Levant States**") in this prospectus for more information.

- **Foreign currency exposure**

The Group undertakes certain transactions denominated in foreign currencies as the Group operates in multiple jurisdictions. Hence, the Group is exposed to exchange rate fluctuation. These mainly include exposure, Iranian Riyals, Egyptian Pounds, Sudanese Lira, Turkish Lira, and United Arab Emirates Dirham (pegged to US dollar), and US dollar (Saudi Riyal is pegged to US dollar). Foreign exchange losses / gains recorded in other comprehensive income amounted to a gain of SAR 85 million in 2021G, a loss of SAR 175 million in 2022G, and loss of SAR 342 million in 2023G. Foreign currency translation reserve in the balance sheet amounted to a deficit of SAR 1,899 million, SAR 2,066 million and SAR 2,355 million at 31 December 2021G, 31 December 2022G and 31 December 2023G respectively. Please review Section 2-3-3 ("**Risks Related to the fluctuations in Foreign Exchange Rates against the Saudi Riyal or Currencies of Other Countries in which the Group Operates**") in this prospectus for more information.

- **Loans and borrowings**

The Group has obtained loans from several local banks in Saudi Arabia and foreign banks namely in Egypt, Algeria, Turkey, Iran, UAE, and Sudan. Total borrowings amounted to SAR 8,588 million and mainly consisted of (i) long-term loans (SAR 4,088 million), (ii) bond issues "**Sukuk**" (SAR 1,000 million) (tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SAIBOR plus 1.60% payable semi-annually. The Sukuk will mature on July 9, 2026G.), (iii) short-term loans (SAR 3,419 million), and (iv) bank overdrafts (SAR 81 million). All outstanding loans and borrowings are interest bearing based on various rates depending on the lender's country and currency. Certain loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained (the Group did not breach any covenants as at 31 December 2023G). The covenants mainly require timely submission of audited financial statements and other financial reports in addition to a financial covenant for the Sukuk, wherein total subsidiaries borrowing cannot exceed 75% of Group's borrowings, as well as certain financial ratios to be maintained for loan obtained by the Group's subsidiary, Herfy. As at 31 December 2023G inventories and property, plant and equipment amounting to SAR 24 million and SAR 128 million respectively are pledged as collateral with commercial banks. The purpose of the loans is to finance working capital and to fund current CAPEX projects (i.e. Customer Experience Revival (CXR) program, the expansion and enhancing of oil and sugar facilities, and others). Please review Section 2-1-20 ("**Risks Related to the Group's Current Financing Arrangements**") in this prospectus for further information.

- **Capex requirements to fulfil CXR program as planned**

Capital work in progress mainly related to construction, upgrade, enhancement of the Group's facilities and stores. With respect to Panda, construction work in progress relates to the current Customer Experience Revival (CXR) program to refresh the in-store experience by revamping the overall look and feel of stores. CXR entails renovation of stores, enhancing consumer experience, optimizing backend systems, including shelf and availability planning and other IT transformations. On the other hand, construction work in progress projects in relation to SFC, mainly includes capacity maintenance of certain production lines (oil and sugar). The Group's future budgeted capex for the year ending 31 December 2024G amounted to SAR 1,645 million. Please review Section 2-2-8 ("**Risks Related to the Maintenance of Panda Stores**") in this prospectus for further information.

- **The Group hedges against raw material (sugar) price fluctuations**

The Group has adopted an advanced hedging process to manage price and margins risks. The price risk is affected by the fluctuation in raw sugar prices due to the time lag between ordering raw sugar and selling refined sugar. All raw sugar purchases are hedged in the futures market through Sugar No.11 contracts (the Sugar No. 11 contract is the United States benchmark contract for raw sugar trading). In certain cases, in order to mitigate the margin risk, the Group prices its white sugar via White premium hedging wherein the Group locks in the white premium (WP) for a certain portion of the unsold capacity. Any changes in these fair value hedges are recorded in the profit or loss, together with changes in the hedged asset or liability. The Group applies fair value and cash flow hedge accounting for hedging commodity value risk. The gain or loss relating to the effective portion of the hedging transaction and changes in fair value of the hedge futures is recognized in the profit or loss within "**cost of revenue**". The gain or loss relating to the ineffective portion is recognized in the profit or loss within "**Finance income or Finance cost**". Raw materials inventory amounted to SAR 1,266 million, SAR 1,859 million and SAR 1,253 million as at 31 December 2021G, 31 December 2022G and 31 December 2023G respectively, out of which SAR 131 million, SAR 99 million, and SAR 200 million relate to raw sugar which are held under a fair value hedge relationship. The fair value of these raw sugar amounted to SAR 128 million at 31 December 2021G, SAR 108 million, and SAR 156 million as at 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively. Please review Section No. 2-2-1 ("**Risks Related to the Availability and Fluctuating Prices of Raw Materials and Packaging Materials**") in this prospectus for more information.

7.5 Summary of Significant Accounting Policies

7.5.1 Basis of Preparation

a- Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRS").

1- Accounting convention / Basis of Measurement

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

2- Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals (SAR) which is the Company's functional currency. All amounts have been rounded to the nearest million, unless otherwise indicated.

b- Critical accounting estimates and judgments

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

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

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are detailed in the financial statements.

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements are detailed in the financial statements.

1- Impairment of financial assets

The implementation of business model approach under IFRS 9 require judgement to ensure that financial assets of the Group are classified into the appropriate category. Deciding whether the classified categories will require assessment of contractual provisions that do or may change the timing or amount of the contractual cash flows. Objective evidence may exist in circumstances in which a counterparty has been placed in bankruptcy or has failed on the repayments of principal and interest. In other circumstances, the Group uses judgment in order to determine whether a financial asset may be impaired using Expected Credit Loss ("ECL") model. The Group uses judgement in order to determine whether an impairment can be reversed, an assumption in doing so might be an improvement in the debtor's credit rating or receipt of payments due. In addition, Group also make judgments in deciding whether the measurement of expected credit loss reflect reasonable and supportable information that is available without undue cost or effort that include historical, current and forecast information.

2- Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

3- Useful lives of property, plant and equipment, investment properties and intangible assets

The management determines the estimated useful lives of property, plant and equipment, investment property and intangible assets for calculating depreciation and amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charges are adjusted where management believes the useful lives differ from previous estimates.

4- Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment loss is recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5- Employee benefits – defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

6- Going concern

The Group's management has made an assessment of its ability to continue as a going concern for the foreseeable future and is satisfied that it has the resources to discharge its liabilities including the mandatory repayment of loans and borrowings. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Management believes that the repayment of the liabilities will be met out of operating and investing cash flows. Further, the Group has unused bank financing facilities to manage the short term and the long-term liquidity requirements.

Based on these factors, the financial statements continue to be prepared on the going concern basis.

7- Other assumptions

Information about other assumptions and estimation uncertainties is included in the accompanying notes of the financial statements.

7.5.2 Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023G. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any significant changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain limited instances.

a- Share based payments arrangements

Equity-settled share-based payment

The grant-date fair value of equity-settled share-based payment plan granted to employees is recognized as an expense on a straight-line basis in the statement of profit or loss, with a corresponding increase in equity as 'Other reserves', over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash-settled share-based payment

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

b- Business combinations

Business combinations (except for entities under common control) are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued, and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions from entities under common control

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognized directly in equity.

1- Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are consolidated in the financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-Group balances, transactions, income, and expenses resulting from intra-Group transactions, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation. Subsidiaries used same accounting policies and financial reporting periods.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Changes in a Group's ownership interest in a subsidiary that does not result in a change in control, is accounted as equity transaction and the carrying amounts of the non-controlling interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with non-controlling interests without change in control".

2- Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment loss on goodwill is not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss incurred.

3- Interests in equity-accounted investees

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

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

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

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

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

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

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

4- Non-controlling interests

Non-controlling interest represents the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group.

Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal / acquisition of non-controlling interests are also recorded in equity.

c- Financial instruments

i- Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant finance component) or finance liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without significant financing component is initially measured at the transaction price.

ii- Classification and subsequent measurement

Financial assets – initial measurement

On initial measurement, a financial asset is classified as measured at: amortized cost, FVOCI – debt instrument; FVOCI – equity instrument or fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to initial measurement unless the Group changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest.

Financial assets – Subsequent measurement and gains and losses

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment loss, if any.
- Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss as well.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii- Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv- Derivatives

Derivative financial instruments and hedge accounting

The Group holds financial instruments to hedge its commodity price related exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range as per risk management policy. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and accumulated in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to gain or loss in the periods when the hedged item affects gain or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of commodity value is recognized in the consolidated statement of profit or loss within 'Cost of revenues'.

However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (for example, inventory), the amounts accumulated in equity are transferred from the equity and included in the initial measurement of the cost. The accumulated amounts are ultimately recognized in cost of revenues for inventory.

When a hedging instrument expires, is terminated, is sold or is exercised, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. When the hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the equity remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss within "Finance income or Finance cost".

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging commodity (raw sugar) value risk. The gain or loss relating to the effective portion of the hedging transaction is recognized in the profit or loss within "cost of revenue". The gain or loss relating to the ineffective portion is recognized in the profit or loss within "Finance income or Finance cost". Changes in the fair value of the hedge futures are recognized in the consolidated statement of profit or loss within 'Cost of revenues'.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the consolidated statement of profit or loss within "Finance income or Finance cost".

v- Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

vi- Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less and excludes bank overdrafts which are available to the Group without any restrictions that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

d- Segment reporting

An operating segment is a component:

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

Segment results that are reported to the chief operating decision maker and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

e- Foreign currency translations

i- Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the respective transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of equity instruments classified as FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ii- Foreign operations

The assets and liabilities of foreign operations, with the exception of economies under hyperinflation, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Saudi Riyals at exchange rates at average exchange rates.

Foreign currency differences arising on foreign operations are recognized in other comprehensive income and accumulated in the "Foreign currency translation reserve", except to the extent that the translation difference is allocated to non-controlling interest.

Dividends received from foreign associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of profit or loss and other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the Foreign Currency Translation Reserve ("CTR") is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the foreign currency translation differences.

iii- Hyperinflationary economies

When the economy of a country in which the Group operates is deemed hyperinflationary and the functional currency of a Group entity is the local currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit currency at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the consolidated statement of financial position, such as property, plant and equipment and inventories, to reflect current purchasing power at the yearend using a general price index from the date when they were first recognized. The gain or loss on the net monetary position is included in finance costs or income for the year. Comparative amounts are not adjusted. When the economy of a country, in which the Group operates, is no more deemed a hyperinflationary economy, the Group ceases application of hyperinflationary economies accounting at the end of the reporting period that is immediately prior to the period in which hyperinflation ceases. The amounts in the Group's consolidated financial statements as at that date are considered as the carrying amounts for the subsequent consolidated financial statements of the Group. For the purpose of consolidation of foreign components operating in hyperinflation economies; items of statements of financial position and profit or loss are translated at the closing rate.

f- Property, plant and equipment

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

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

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

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

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

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

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

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

	Years
Buildings	12.5 - 50
Leasehold improvements	3 - 33
Plant and equipment	3 -30
Furniture and office equipment	3 - 16
Vehicles	4 - 10

Source: Consolidated financial statements for the financial years ended 31 December 2023G.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of property, plant, and equipment.

g- Intangible assets

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

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

	Years
Software	3 - 10
Customer List	18 - 28
Distribution Network	25

Source: Consolidated financial statements for the financial years ended 31 December 2023G.

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

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

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

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

h- Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost less accumulated depreciation and accumulated impairment loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost subsequently.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of individual items of investment property. The estimated useful lives of investment properties for current and comparative year is as follows:

	Years
Buildings	20 – 33

Source: Consolidated financial statements for the financial years ended 31 December 2023G.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of investment property

i- Assets classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognized in the profit or loss.

Once classified as held-for-sale, intangible assets, investment property and property and equipment are no longer amortized or depreciated, and any investment in associate is no longer equity accounted.

j- Inventories

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

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

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

k- Impairment

i- Financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost.

For trade receivables and other financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The loss allowance is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. For bank balances in which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, the ECL is measured at 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment that includes forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Allowances for expected credit loss against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

ii- Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the "cash-generating unit, or CGU"). Impairment exists when the carrying value of an asset or CGU exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using applicable discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment loss is recognized in profit or loss. Impairment loss recognized in respect of CGUs is allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

l- Provisions

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

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

m- Employees' end of service benefits

Defined benefit plan

The Group's obligation under employees' end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method. Measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The Group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in profit or loss.

Short-term employee benefits

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

n- Shares held under employees' share based payment plan

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

o- Revenues recognition

Revenue is measured based on the consideration, to which the Group expects to be entitled to, specified in a contract with a customer and is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue from sale of goods

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

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

Variable consideration

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

Significant financing component

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

Rental income

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

p- Zakat and taxes

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

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

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

q- Finance income and finance cost

Finance income includes gains on the derivative instruments that are recognized in consolidated statement of profit or loss and other comprehensive income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in consolidated statement of profit or loss and other comprehensive income on the date that the Group's right to receive payment is established.

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

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

r- Dividends

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

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

s- Expenses

Selling and distribution expenses and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Selling and distribution expenses are those arising from the Group's efforts underlying the selling and distribution functions. All other expenses are classified as administrative expenses. Allocation of common expense between cost of revenues and selling and distribution and administrative expenses, when required, are made on consistent basis.

t- Leases

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

7.6 Summary of Financial Information and Key Performance Indicators

Table (7.1): Statement of profit or loss for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	24,669	28,055	26,818	13.7%	(4.4%)	4.3%
Gross profit	**4,479**	**4,874**	**5,443**	**8.8%**	**11.7%**	**10.2%**
Results from operating activities	1,016	1,668	2,331	64.1%	39.8%	51.5%
Profit before zakat and income tax	525	1,033	1,299	96.9%	25.7%	57.3%
Profit for the year	396	865	1,070	118.3%	23.8%	64.4%
Other comprehensive (loss) / income for the year	43	(459)	(315)	NA	(31.4%)	NA
Total comprehensive income for the year	**439**	**406**	**756**	**(7.5%)**	**86.1%**	**31.2%**
KPIs						
As a % of revenue					**Percentage points**	
Gross profit margin [(1)]	18.2%	17.4%	20.3%	(0.8)	2.9	2.1
Operating profit margin [(2)]	4.1%	5.9%	8.7%	1.8	2.8	4.6
Net profit margin [(3)]	1.6%	3.1%	4.0%	1.5	0.9	2.4

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Key performance indicators: management information for the financial years ending on 31 December 2021G, 2022G, and 2023G.

(1) Gross profit margin is defined as gross profit divided by revenue, and is a percentage.

(2) Operating profit margin is defined as results from operating activities divided by revenue, and is a percentage.

(3) Net profit margin is defined as profit for the year divided by revenue, and is a percentage.

Table (7.2): Statement of financial position for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Non-current assets	20,605	20,111	20,416
Current assets	7,941	9,454	9,546
Total assets	**28,546**	**29,565**	**29,963**
Total equity	**9,092**	**9,317**	**9,535**
Non-current liabilities	9,996	8,603	9,099
Current liabilities	9,458	11,644	11,329
Total liabilities	**19,454**	**20,248**	**20,428**
Total equity and liabilities	**28,546**	**29,565**	**29,963**
KPIs			
DSO (1)	23	23	26
DIO (2)	32	30	36
DPO (3)	54	59	69
CCC (4)	1	(6)	(7)
ROA (5)	1.4%	2.9%	3.6%
ROE (6)	4.4%	9.3%	11.2%
Debt to equity (7)	0.93	0.87	0.90

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Key performance indicators: management information for the financial years ending on 31 December 2021G, 2022G, and 2023G.

(1) The receivables turnover rate (days) is calculated based average gross trade receivables over the group's total revenues during the year.

(2) Inventory turnover (days) is calculated based on the average finished goods over the cost of goods sold during the year.

(3) The accounts payable turnover rate (days) is calculated based on the average trade payables over the cost of material consumed during the year.

(4) Cash turnover rate (days) is calculated based on the aggregate of the accounts receivable turnover rate (days) and inventory turnover rate (days) less the accounts payable turnover rate (days).

(5) Return on assets is calculated as follows: net profit for the year / total assets at the end of the year.

(6) Return on equity is calculated as follows: Net profit for the year / total equity at the end of the year.

(7) Debt to equity is calculated as follows: Loans and borrowings / total equity at the end of the year.

Table (7.3): Statement of cash flow for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Net Cash generated from operating activities	864	1,029	1,720
Net cash used in investing activities	(1,000)	(91)	(496)
Net cash generated / (used in) from financing activities	160	(681)	(563)
Net change in cash and cash equivalents	**24**	**257**	**661**
Effect of movement in exchange rates on cash and cash equivalents	(2)	(175)	(129)
Cash and cash equivalents at beginning of the year	496	519	601
Cash and cash equivalents at December 31	**519**	**601**	**1,132**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

7.7 Results of Operations for the Financial Years ending 31 December 2021G, 2022G and 2023G

7.7.1 Statement of Profit or Loss

Table (7.4): Statement of profit or loss for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	24,669	28,055	26,818	13.7%	(4.4%)	4.3%
Cost of revenue	(20,190)	(23,181)	(21,375)	14.8%	(7.8%)	2.9%
Gross profit	**4,479**	**4,874**	**5,443**	**8.8%**	**11.7%**	**10.2%**
Share of results in investment in equity-accounted investees, net of zakat and tax	557	661	719	18.6%	8.8%	13.6%
Selling and distribution expenses	(2,726)	(2,956)	(2,987)	8.4%	1.0%	4.7%
Administrative expenses	(871)	(975)	(955)	12.0%	(2.1%)	4.7%
Impairment reversal / (loss), net	(422)	65	112	(115.4%)	71.8%	NA
Results from operating activities	**1,016**	**1,668**	**2,331**	**64.1%**	**39.8%**	**51.5%**
Finance income	94	75	138	(20.0%)	83.7%	21.2%
Finance costs	(585)	(752)	(1,189)	28.4%	58.2%	42.5%
Net finance cost	**(491)**	**(676)**	**(1,051)**	**37.6%**	**55.4%**	**46.2%**
Gain on sale of investments	-	42	-	NA	(100.0%)	NA
Gain on sale of assets and liabilities classified as held for sale	-	-	19	NA	NA	NA
Profit before zakat and income tax	**525**	**1,033**	**1,299**	**96.9%**	**25.7%**	**57.3%**
Zakat and income tax expense	(129)	(168)	(229)	30.9%	35.6%	33.2%
Profit for the year	**396**	**865**	**1,070**	**118.3%**	**23.8%**	**64.4%**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Re-measurements of defined benefit liability	(25)	40	44	(259.3%)	10.9%	NA
Investments at fair value through other comprehensive income – net change in fair value	51	(143)	(6)	(381.6%)	(95.5%)	NA

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Items that may be reclassified subsequently to profit or loss						
Foreign operations – foreign currency translation differences	85	(174)	(342)	(305.4%)	95.9%	NA
Investment in equity accounted investees – share of Other Comprehensive Income	(60)	(176)	10	190.5%	(105.5%)	NA
Cash flow hedges – effective portion of changes in fair value	(7)	(6)	(20)	(25.8%)	260.4%	63.5%
Other comprehensive (loss) / income for the year	**43**	**(459)**	**(315)**	**NA**	**(31.4%)**	**NA**
Total comprehensive income for the year	**439**	**406**	**756**	**(7.5%)**	**86.1%**	**31.2%**
KPIs						
As a % of revenue					**Percentage points**	
Gross profit [(1)]	18.2%	17.4%	20.3%	(0.8)	2.9	2.1
Operating profit [(2)]	4.1%	5.9%	8.7%	1.8	2.8	4.6
Net income [(3)]	1.6%	3.1%	4.0%	1.5	0.9	2.4

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) Gross profit margin is defined as gross profit divided by revenue, and is a percentage.

(2) Operating profit margin is defined as results from operating activities divided by revenue, and is a percentage.

(3) Net profit margin is defined as profit for the year divided by revenue, and is a percentage.

Revenue

The Group's revenue stemmed mainly from Savola Foods Company, Panda Retail Company and Herfy Food Services Company over the 2021G-2023G period.

Revenue increased by 13.7% from SAR 24,669 million in 2021G to SAR 28,055 million in 2022G mainly driven by the increase in revenue from SFC by SAR 3,811 million from the increase in the selling prices observed in the oil and sugar segments attributable to the increase in the underlying commodity prices. This was partly offset by the decrease in Panda revenue by SAR 362 million due to the partial closure of some stores undergoing CXR implementation in addition to the final closure of some stores as part of the transformation strategy.

Revenue decreased by 4.4% to SAR 26,818 million in 2023G mainly driven by the decrease in SFC revenue by SAR 1,376 million impacted by the decrease in selling prices in the oil segment on the back of the (1) decrease in the underlying edible oil commodity prices, (2) currency devaluation in emerging markets, (3) temporary suspension of operations in Sudan (which started from second quarter of 2023G) (-SAR 630 million) and (4) Morocco exit (which occurred in the first quarter of 2023G) (-SAR 507 million). This was partially offset by the increase in Panda revenue by SAR 217 million mainly driven by the operational ramp-up of stores that were undergoing the CXR program.

Cost of revenues

Cost of revenues mainly comprised of inventories consumed or sold which contributed on average to 91.0% of total cost of revenues over the 2021-2023G period. Cost of revenues increased by 14.8% from SAR 20,190 million in 2021G to SAR 23,181 million in 2022G primarily due to the increase in inventories consumed / sold by SAR 2,929 million on the back of the increase in cost of revenue in SFC in line with revenue growth coupled with the increase in raw material prices, in particular oil and sugar.

Cost of revenues decreased by 7.8% from SAR 23,181 million in 2022G to SAR 21,375 million in 2023G primarily due to the decrease in inventories consumed / sold by SAR 1,605 million mainly driven by the decrease in SFC costs in line with the decrease in corresponding SFC revenue over the same period, due to the factors mentioned above in Revenue.

Gross profit

Gross profit increased by 8.8% from SAR 4,479 million in 2021G to SAR 4,874 million in 2022G contributed mainly by SFC amounting to SAR 458 million, partly offset by the decrease contributed by Herfy amounting to SAR 45 million amongst others. Gross profit increased by 11.7% from SAR 4,874 million in 2022G to SAR 5,443 million in 2023G mainly in line with the reduction of cost of revenues during the 2022-2023G period.

Gross profit margin decreased from 18.2% in 2021G to 17.4% in 2022G as a result of the increase in inventory cost by SAR 2,928 million stemming from higher commodity prices, mostly pertaining to edible oil. Gross profit margin subsequently increased to 20.3% in 2023G, in line with margin improvement observed in SFC and Panda.

Share of results in EAI, net of Zakat and tax

Share of results in EAI, net of Zakat and tax relates to the Group's share in Almarai (ownership of 34.52% in 2023G), Kinan (29.9%), USCE (33.82%), and Intaj (49%).

Share of results increased by 18.6% from SAR 557 million in 2021G to SAR 661 million in 2022G and further by 8.8% to reach SAR 719 million in 2023G mainly driven by the improvement in Almarai's operations.

Selling and distribution expenses

Selling and distribution expenses mainly pertained to salaries and employee related expenses (on average 48.9% of total over the 2021-2023G period), depreciation and amortization (20.3%), and advertisement (9.9%) among others. Selling and distribution expenses increased by 8.4% from SAR 2,726 million in 2021G to SAR 2,956 million in 2022G mainly driven by the increase in advertisement expenses by SAR 83 million attributable to higher advertisement spending in SFC by SAR 48 million (predominantly driven by the full-year effect of the consolidation of Bayara), and rent by SAR 64 million attributable to the increase in Panda rent expenses as some agreements changed the charges based on fixed rate to turnover rate. This was partially offset by the decrease in depreciation and amortization by SAR 33 million due to the closure of Panda stores coupled with impairment charges booked in 2021G for property, plant, and equipment, right of use assets and intangible assets.

Selling and distribution expenses slightly increased by 1.0% from SAR 2,956 million in 2022G to SAR 2,987 million in 2023G mainly driven by the increase in depreciation and amortization by SAR 57 million and salaries and employee related expenses by SAR 52 million which were partially offset by the decrease in utilities by SAR 48 million, mainly due to the partial temporary closure of Panda stores as part of the CXR program.

Administrative expenses

Administrative expenses primarily included salaries and employee related expenses (on average 57.2% of total over the 2021-2023G period), depreciation and amortization (9.0%) and professional fees (8.8%) among others. Administrative expenses increased by 12.0% from SAR 871 million in 2021G to SAR 975 million in 2022G due to the increase in IT related expenses by SAR 45 million mainly driven by license-related costs incurred for Panda by SAR 19 million related to implementation of Oracle Fusion which led to the licensing costs and the number of subscriptions. This was coupled with the increase in salaries and employee related expenses by SAR 26 million mainly driven by (i) the full-year consolidation of Bayara in 2022G (in SFC); and (ii) compulsory pay rises for SFC Staff in Iran as per regulatory requirements (in SFC).

Administrative expenses decreased by 2.1% to SAR 955 million in 2023G mainly driven by the decrease in professional fees by SAR 36 million resulting from lower non-recurring consultancy fees incurred by Panda over the period upon completion of ongoing projects from the previous year. This was coupled with the decrease in salaries and employee related expenses by SAR 17 million mainly contributed by a drop in Panda amounting to SAR 32 million which resulted from optimization of the administrative workforce, which was offset by an increase in SFC in the amount of SAR 21 million. This is mainly due to the impact of bonuses among other factors.

Impairment reversal / (loss)

Impairment reversal / (loss) increased from –SAR 422 million in 2021G to a reversal of SAR 65 million in 2022G mainly driven by impairment reversals for Panda including (i) impairment reversals on property, plant and equipment by SAR 73 million and (ii) reversals on impairment of right of use assets by SAR 165 million whereby there was an impairment reversal of SAR 38 million (2021G: loss of SAR 127 million) due to favorable changes in economic environment affecting footfall and basket size in the retail segment. Impairment reversal further increased to SAR 112 million in 2023G mainly due to an impairment reversal on ASC property, plant and equipment amounting to SAR 160 million due to consistent and considerable improvement in ASC's results, partly offset by impairment of Bayara related goodwill amounting to SAR 75 million.

Net finance cost

Net finance cost mainly included the finance charges on borrowings, interest expense on lease liabilities, exchange gain/loss and other bank related charges which are partly offset by commission income and gain on remeasurement of commodity futures. Net finance cost increased by 37.6% from SAR 491 million in 2021G to SAR 676 million in 2022G mainly driven by the increase in financial charges on borrowing by SAR 128 million due to higher interest rates coupled, on account of increase in prevailing interest rates, with the increase in interest expenses on lease liabilities mainly due to Herfy's prior year adjustments amounting to SAR 38 million. Net finance cost further increased by 55.4% to SAR 1,051 million in 2023G mainly driven by the further increase in financial charges on borrowing by SAR 310 million due to the increase in the interest rates coupled with the increase in the Group's borrowing position during 2023G.

Gain on sale of investments

Gain on sale of investments amounted to SAR 42 million in 2022G and related to agreement with Taiba Investment Company for sale of the Group's investment in Knowledge Economic City Developers Company Limited (KECD) during 2022G, where the sale transaction was finalized on 29 December 2022G.

Gain on sale of held for sale assets / liabilities

Gain on sale of held for sale assets / liabilities amounted to SAR 19 million in 2023G and related to a Share Purchase Agreement (SPA) dated 10 November 2022G to sell the Group's interest in Savola Morocco Company. All legal formalities for the sale of Savola Morocco Company were completed and the net consideration of SAR 41 million was received against net carrying amount and transaction charges of SAR 23 million, resulting in a gain on disposal amounting to SAR 19 million.

Zakat and income tax expenses

Zakat and income tax expenses increased from SAR 129 million in 2021G to SAR 168 million in 2022G mainly driven by the increase in foreign income tax charge by SAR 70 million, which relates to the Group's foreign subsidiaries that are obliged to pay income tax as per the applicable tax laws of their countries of incorporation. Zakat and income tax expense further increased to SAR 229 million in 2023G mainly driven by the increase in foreign income tax charge by SAR 94 million.

7.7.1.1 Revenue

7.7.1.1.1 Revenue and Gross Profit by Operating Segment

Table (7.5): Revenue and gross profit by operating segment for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Food processing	Retail	Food services	Frozen food	Investments	Others / Eliminations	Total
2023G							
External revenues	14,669	10,326	1,148	675	-	-	26,818
Inter segment revenue	396	5	26	39	30	(496)	-
Segment Revenue	**15,065**	**10,331**	**1,174**	**714**	**30**	**(496)**	**26,818**
Cost of revenues	(12,709)	(7,774)	(889)	(464)	(21)	481	(21,375)
Gross profit	**2,356**	**2,558**	**284**	**250**	**9**	**(15)**	**5,443**

SAR in millions	Food processing	Retail	Food services	Frozen food	Investments	Others / Eliminations	Total
2022G							
External revenues	16,106	10,109	1,213	626	-	-	28,055
Inter segment revenue	335	5	30	44	27	(441)	-
Segment Revenue	**16,441**	**10,114**	**1,244**	**670**	**27**	**(441)**	**28,055**
Cost of revenues	(14,455)	(7,773)	(903)	(461)	(21)	433	(23,181)
Gross profit	**1,986**	**2,341**	**340**	**209**	**6**	**(8)**	**4,874**
2021G							
External revenues	12,318	10,474	1,282	595	-	-	24,669
Inter segment revenue	312	2	32	48	28	(421)	-
Segment Revenue	**12,630**	**10,476**	**1,314**	**643**	**28**	**(421)**	**24,669**
Cost of revenues	(11,102)	(8,137)	(928)	(414)	-	391	(20,190)
Gross profit	**1,528**	**2,339**	**385**	**229**	**28**	**(31)**	**4,479**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

7.7.1.1.2 Revenue by Geographical Area

Table (7.6): Revenue by geographical Area for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Mgmt)	Financial year 2022G (Mgmt)	Financial year 2023G (Mgmt)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Saudi Arabia	5,258	6,494	6,218	23.5%	(4.3%)	8.7%
Egypt	2,929	3,734	4,063	27.5%	8.8%	17.8%
Other geographies	4,443	6,213	4,784	39.8%	(23.0%)	3.8%
Food processing	**12,630**	**16,441**	**15,065**	**30.2%**	**(8.4%)**	**9.2%**
Saudi Arabia	10,336	9,957	10,169	(3.7%)	2.1%	(0.8%)
Egypt	139	157	162	12.9%	3.2%	8.0%
Retail	**10,476**	**10,114**	**10,331**	**(3.4%)**	**2.1%**	**(0.7%)**
Saudi Arabia	1,314	1,244	1,174	(5.3%)	(5.6%)	(5.5%)
Food services	**1,314**	**1,244**	**1,174**	**(5.3%)**	**(5.6%)**	**(5.5%)**
Saudi Arabia	643	670	714	4.2%	6.6%	5.4%
Frozen food	**643**	**670**	**714**	**4.2%**	**6.6%**	**5.4%**
Investments	28	27	30	(3.6%)	11.1%	3.5%
Others / Eliminations	(421)	(441)	(496)	4.8%	12.5%	8.5%
Total	**24,669**	**28,055**	**26,818**	**13.7%**	**(4.4%)**	**4.3%**

SAR in millions	Financial year 2021G (Mgmt)	Financial year 2022G (Mgmt)	Financial year 2023G (Mgmt)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
KPIs						
As a % of revenue					**Percentage points**	
Saudi Arabia	21.3%	23.1%	23.2%	1.8	0.0	1.9
Egypt	11.9%	13.3%	15.2%	1.4	1.8	3.3
Other geographies	18.0%	22.1%	17.8%	4.1	(4.3)	(0.2)
Food processing	**51.2%**	**58.6%**	**56.2%**	**7.4**	**(2.4)**	**5.0**
Saudi Arabia	41.9%	35.5%	37.9%	(6.4)	2.4	(4.0)
Egypt	0.6%	0.6%	0.6%	(0.0)	0.0	0.0
Retail	**42.5%**	**36.1%**	**38.5%**	**(6.4)**	**2.5**	**(3.9)**
Saudi Arabia	5.3%	4.4%	4.4%	(0.9)	(0.1)	(0.9)
Food services	**5.3%**	**4.4%**	**4.4%**	**(0.9)**	**(0.1)**	**(0.9)**
Saudi Arabia	2.6%	2.4%	2.7%	(0.2)	0.3	0.1
Frozen food	**2.6%**	**2.4%**	**2.7%**	**(0.2)**	**0.3**	**0.1**
Investments	0.1%	0.1%	0.1%	(0.0)	0.0	(0.0)
Others / Eliminations	(1.7%)	(1.6%)	(1.8%)	0.1	(0.3)	(0.1)
Total	**100.0%**	**100.0%**	**100.0%**	**0.0**	**0.0**	**0.0**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Food processing

The food processing segment represents Savola Foods Company.

The Food processing segment accounted on average for 55.3% of the Group's total revenue over the 2021-2023G period, of which on average 22.5% were generated from the Saudi Arabia entity, 13.4% from Egypt, and the remaining 19.6% were mainly generated from other locations including, Turkey, United Arab Emirates and others.

Food processing revenues increased by 30.2% from SAR 12,630 million in 2021G to SAR 16,441 million in 2022G predominantly driven by increases stemming from Saudi Arabia amounting to SAR 1,236 million, Iran, SAR 1,365 million and Egypt SAR805 million amongst others, upon increases in edible oil prices on the back of the increase in the underlying commodity prices.

Food processing revenues decreased by 8.4% from SAR 16,441 million in 2022G to SAR 15,065 million in 2023G mainly driven by (1) the decrease in underlying commodity prices in the oil segment, (2) currency devaluation in certain emerging markets, (3) temporary suspension of operations in Sudan (-SAR 630 million), and (4) exit from the Morocco market (- SAR 507 million).

Retail

The retail segment represents Panda Retail Company.

The retail segment accounted on average for 39.0% of the Group's total revenue over the 2021-2023G period, predominantly generated from the Saudi Arabia entity.

Retail revenues decreased by 3.5% from SAR 10,476 million in 2021G to SAR 10,114 million in 2022G mainly driven by the partial closure of some stores undergoing CXR implementation in addition to the final closure of some stores as part of the transformation strategy.

Retail revenues increased by 2.1% from SAR 10,114 million in 2022G to SAR 10,331 million in 2023G mainly driven by the ramp-up of operations in stores that were undergoing the CXR revamp project.

Food services

The food services segment represents Herfy Food Services Company.

The food services segment accounted on average for 4.7% of the Group's total revenue over the 2021-2023G period, generated solely from the Saudi Arabia entity.

Food services revenues decreased from SAR 1,314 million in 2021G to SAR 1,244 million in 2022G and further to SAR 1,174 million in 2023G mainly driven by the increased competition within the quick-service restaurant sector.

Frozen food

The frozen food segment represents Good Food Company.

The frozen food segment accounted on average for 2.6% of the Group's total revenue over the 2021-2023G period and was generated solely from Saudi Arabia.

Frozen food revenues increased by 4.2% from SAR 643 million in 2021G to SAR 670 million in 2022G and by 6.6% to SAR 714 million in 2023G mainly driven by marketing efforts, pricing promotions and product innovation.

7.7.1.2 Cost of Revenues

Table (7.7): Costs of revenue for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Inventories consumed /sold	18,196	21,124	19,519	16.1%	(7.6%)	3.6%
Salaries and employee related expenses	699	805	775	15.1%	(3.6%)	5.3%
Overheads	648	575	430	(11.3%)	(25.2%)	(18.6%)
Depreciation and amortization	398	420	419	5.5%	(0.2%)	2.6%
Freight and handling	248	257	231	3.4%	(9.9%)	(3.5%)
Total	**20,190**	**23,181**	**21,375**	**14.8%**	**(7.8%)**	**2.9%**
KPIs						
As a % of revenue					**Percentage points**	
Inventories consumed / sold	73.8%	75.3%	72.8%	1.5	(2.5)	(1.0)
Salaries and employee related expenses	2.8%	2.9%	2.9%	0.1	0.0	0.1
Overheads	2.6%	2.0%	1.6%	(0.6)	(0.4)	(1.0)
Depreciation and amortization	1.6%	1.5%	1.6%	(0.1)	0.1	0.0
Freight and handling	1.0%	0.9%	0.9%	(0.1)	0.0	(0.1)
Total	**81.8%**	**82.6%**	**79.7%**	**0.8**	**(2.9)**	**(2.1)**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Inventories consumed/sold

Inventories consumed / sold mainly related to the costs of finished goods sold, raw materials consumed, indirect costs (e.g., Packaging), among others.

Inventory consumed / sold was mainly concentrated within SFC (averaged c.59% of total inventories consumed / sold over 2021-2023G) and Panda (c.39%).

Inventories consumed / sold increased from SAR 18,196 million in 2021G to SAR 21,124 million in 2022G mainly on the back of the increase in cost of revenue in SFC mainly in line with revenue growth coupled with the increase in raw material prices, in particular oil and sugar. Inventories consumed / sold decreased from SAR 21,124 million in 2022G to SAR 19,519 million in 2023G mainly driven by the decrease in SFC costs in line with the decrease in corresponding SFC revenue over the same period.

Salaries and employee related expenses

Salaries and employee related expenses mainly related to the basic salaries, allowances, bonuses, and other employee related expenses for direct staff. Salaries and employee related expenses was mainly concentrated in SFC (averaged c.47% over the 2021-2023G period) and Panda (c.16%).

Salaries and employee related expenses increased from SAR 699 million in 2021G to SAR 805 million in 2022G mainly driven by the increase in SFC expenses by SAR 58 million (mainly due to increase in head count, compulsory salary rise in Iran as per local regulatory requirements and the full year effect of the consolidation of Bayara Holding which was acquired in fourth quarter of 2021G). Salaries and employee related expenses decreased from SAR 805 million in 2022G to SAR 775 million in 2023G on the back of the decrease in SFC employee costs amounting to SAR 22 million attributable to the drop in headcount of employees in SFC resulting from the temporary suspension of operations in Sudan, and operating efficiencies in Turkey and Iran.

Overheads

Overheads mainly pertained to various costs related to manufacturing overhead such as utilities, gas / fuel / diesel charges, insurance, repair and maintenance, rent, cleaning, among others. Overheads was mainly concentrated within SFC (averaged c.65% of total overheads over the 2021G-2023G period).

Overheads decreased from SAR 648 million in 2021G to SAR 575 million in 2022G mainly driven by the decrease in Herfy overheads amounting to SAR 66 million. Overheads continued to decrease and reached SAR 430 million in 2023G.

Depreciation and amortization

Depreciation and amortization increased from SAR 398 million in 2021G to SAR 420 million in 2022G and SAR 419 million in 2023G on the back of property, plant and equipment additions and disposals that occurred during the same period.

Freight and handling

Freight and handling expenses primarily related to freight charges (in and out), freight insurance, handling costs, custom duties, among other related expenses. Freight and handling expenses were mainly concentrated within SFC (averaged c.96% over 2021-2023G period). Freight and handling remained stable over the period under review at 1% of revenue.

7.7.1.3 Selling and Distribution Expenses

Table (7.8): Selling and distribution Expenses for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Salaries and employee related expenses	1,359	1,412	1,464	3.9%	3.7%	3.8%
Depreciation and amortization	590	557	614	(5.6%)	10.2%	2.0%
Utilities	238	235	187	(1.5%)	(20.3%)	(11.4%)
Advertisement	235	318	309	35.4%	(3.0%)	14.6%
Maintenance	93	101	83	8.5%	(17.9%)	(5.6%)
Rent	40	103	110	160.8%	6.3%	66.5%
Commission	117	114	104	(2.5%)	(8.6%)	(5.6%)
Impairment loss on trade receivables	17	33	49	96.2%	48.1%	70.5%
Insurance	22	29	27	28.9%	(6.4%)	9.9%
Communication	11	10	10	(10.5%)	0.4%	(5.2%)
Others	5	46	32	886.5%	(29.6%)	163.6%
Total	**2,726**	**2,956**	**2,987**	**8.4%**	**1.0%**	**4.7%**
KPIs						
As a % of revenue					**Percentage points**	
Salaries and employee related expenses	5.5%	5.0%	5.5%	(0.5)	0.5	0.0
Depreciation and amortization	2.4%	2.0%	2.3%	(0.4)	0.3	(0.1)
Utilities	1.0%	0.8%	0.7%	(0.2)	(0.1)	(0.3)
Advertisement	1.0%	1.1%	1.2%	0.1	0.1	0.2
Maintenance	0.4%	0.4%	0.3%	(0.0)	(0.1)	(0.1)
Rent	0.2%	0.4%	0.4%	0.2	0.0	0.2
Commission	0.5%	0.4%	0.4%	(0.1)	(0.0)	(0.1)
Impairment loss on trade receivables	0.1%	0.1%	0.2%	0.0	0.1	0.1
Insurance	0.1%	0.1%	0.1%	0.0	(0.0)	0.0
Communication	0.0%	0.0%	0.0%	(0.0)	0.0	(0.0)
Others	0.0%	0.2%	0.1%	0.2	(0.1)	0.1
Total	**11.1%**	**10.5%**	**11.1%**	**(0.6)**	**0.6**	**0.0**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Salaries and employee related expenses

Salaries and employee related expenses mainly comprised of basic salaries, allowances, bonuses, and other employee related expenses. Salaries and employee related expenses was mainly concentrated within Panda (averaged c.77% over the 2021-2023G period).

Salaries and employee related expenses increased from SAR 1,359 million in 2021G to SAR 1,412 million in 2022G mainly driven by (1) the full year consolidation of Bayara in 2022G (in SFC) coupled with (2) compulsory pay rises for SFC staff in Iran as per regulatory requirements. Salaries and employee related expenses continued to increase from SAR 1,412 million in 2022G to SAR 1,464 million in 2023G on the back of the increase in Panda employee costs by SAR 43 million.

Depreciation and amortization

Depreciation and amortization decreased from SAR 590 million in 2021G to SAR 557 million in 2022G mainly due to the closure of Panda stores coupled with impairment charges booked in 2021G for property, plant and equipment, right of use assets and intangible assets.

Depreciation and amortization increased from SAR 557 million in 2022G to SAR 614 million in 2023G mainly due to additions made during the period.

Utilities

Utilities remained relatively stable between 2021G and 2022G (averaged c. SAR 236 million over the same period). Utilities expenses decreased from SAR 235 million in 2022G to SAR 187 million in 2023G mainly due to decrease in utility charges in Panda due to optimization and better store space utilization, coupled with the temporary closure of stores during CXR resulting in the decrease of expenses.

Advertisement

Advertisement expenses mainly related to product advertising, trade displays and other display materials, promotions, trademark expenses, market research, among others.

Advertisement expenses increased from SAR 235 million in 2021G to SAR 318 million in 2022G mainly driven by the higher advertisement spending in SFC amounting to SAR 46 million. Advertisement expenses decreased from SAR 318 million in 2022G to SAR 309 million in 2023G mainly driven by the drop in SFC advertisement spending by SAR 24 million over the period due to optimization in spending and devaluation impact in the overseas markets.

Maintenance

Maintenance expenses increased from SAR 93 million in 2021G to SAR 101 million in 2022G and decreased to SAR 83 million in 2023G mainly due to the decrease is contributed mainly by Panda due to the impact of CXR program, requiring lower repair and maintenance for newly refurbished stores, as well as, requiring lower repair and maintenance spending during CXR implementation waves.

Rent

Rent expenses increased from SAR 40 million in 2021G to SAR 103 million in 2022G mainly driven by the increase in Panda rent expenses as some agreements changed the charges based on fixed rate to turnover rate. Rent expenses increased to SAR 110 million in 2023G.

Commission

Commission mainly related to distributors commission. Commissions decreased from SAR 117 million in 2021G to SAR 114 million in 2022G and reached SAR 104 million in 2023G mainly due to devaluation impact in overseas operations. Commission remained relatively stable at 0.5% of revenue over the 2021G-2023G period.

Impairment loss on trade receivables

Impairment loss on trade receivables has been increasing over the period from SAR 17 million in 2021G to SAR 33 million in 2022G and further to SAR 49 million in 2023G while maintaining a relatively stable ratio of 0.1% of total revenues over the period.

Insurance

Insurance expenses mainly pertained to expenses for assets insurance and employee insurance coverage and remained relatively stable over the 2021G-2023G period.

Communication

Communication expenses mainly related to data communication expenses, telephone, courier and other related expenses and remained relatively stable over the 2021G-2023G period.

Others

Others mainly related to miscellaneous expenses. Others increased from SAR 5 million in 2021G to SAR 46 million in 2022G mainly due to the reclassification of Panda POS bank charges from finance cost to other selling and distribution expenses amounting to SAR 34 million. Other expenses decreased to SAR 32 million in 2023G mainly due to gain on disposal of property, plant and equipment during 2023G

7.7.1.4 Administrative Expenses

Table (7.9): Administrative expenses for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Salaries and employee related expenses	523	549	532	4.9%	(3.0%)	0.9%
Professional fees	94	94	58	0.1%	(38.2%)	(21.4%)
Depreciation and amortization	78	86	90	10.8%	4.8%	7.7%
IT related cost	33	78	61	134.1%	(22.2%)	34.9%
Training, subscriptions, and conferences	21	35	39	66.0%	13.3%	37.2%
Insurance	18	19	21	7.2%	13.0%	10.1%
Repairs and maintenance	10	11	10	10.8%	(12.9%)	(1.7%)
Traveling	6	9	10	57.7%	6.8%	29.8%
Utilities, telephone, and communication cost	19	4	22	(77.4%)	430.9%	9.6%
Rent	4	3	5	(31.0%)	67.7%	7.6%
others	67	88	108	32.6%	22.0%	27.2%
Total	**871**	**975**	**955**	**12.0%**	**(2.1%)**	**4.7%**
KPIs						
As a % of revenue					**Percentage points**	
Salaries and employee related expenses	2.1%	2.0%	2.0%	(0.1)	0.0	(0.1)

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Professional fees	0.4%	0.3%	0.2%	(0.1)	(0.1)	(0.2)
Depreciation and amortization	0.3%	0.3%	0.3%	0.0	0.0	0.0
IT related cost	0.1%	0.3%	0.2%	0.2	(0.1)	0.1
Training, subscriptions, and conferences	0.1%	0.1%	0.1%	0.0	0.0	0.0
Insurance	0.1%	0.1%	0.1%	(0.0)	0.0	0.0
Repairs and maintenance	0.0%	0.0%	0.0%	(0.0)	(0.0)	(0.0)
Traveling	0.0%	0.0%	0.0%	0.0	0.0	0.0
Utilities, telephone, and communication cost	0.1%	0.0%	0.1%	(0.1)	0.1	0.0
Rent	0.0%	0.0%	0.0%	(0.0)	0.0	0.0
others	0.3%	0.3%	0.4%	0.0	0.1	0.1
Total	**3.5%**	**3.5%**	**3.6%**	**0.0**	**0.1**	**0.1**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Salaries and employee related expenses

Salaries and employee-related expenses are mainly comprised of basic salaries, allowances, bonuses, and other employee-related expenses. Salaries and employee-related expenses were mainly concentrated between SFC (averaged c.41% over the 2021G-2023G period) and Panda (averaged c.33%).

Salaries and employee-related expenses increased from SAR 523 million in 2021G to SAR 549 million in 2022G mainly driven by (i) the full-year consolidation of Bayara in 2022G (in SFC) coupled with (ii) compulsory pay rise in Iran as per local regulatory requirements (in SFC).

Salaries and employee-related expenses dropped back to SAR 532 million in 2023G driven by a drop in Panda by SAR 32 million in connection with Panda's workforce cost optimization initiatives, partially offset by an increase in SFC by SAR 21 million mainly driven by an increase in AIC by SAR 14 million attributed to increments.

Professional fees

Professional fees are mainly comprised of Consultancy (c.60% of total professional fees over the 2021-2023G period), Legal (c.20%) and Audit (c.17%) fees, amongst others, primarily incurred by SFC (c.47% over the 2021-2023G period) and Panda (c.36%).

Professional fees remained relatively stable over the 2021-2022G period at SAR 94 million and dropped to SAR 58 million in 2023G mainly due to a decline in consultancy fees incurred by Panda after completion of ongoing projects from the previous year.

Depreciation and amortization

Depreciation and amortization increased from SAR 78 million in 2021G to SAR 86 million in 2022G mainly driven by the impact of capitalization of ERP related software in Panda, contributing to an increase of SAR 9 million and full year impact of Bayara acquisition resulting in increase of SAR 5 million. The increase was partly offset by the impact of fully depreciated assets in Herfy amounting to SAR 5 million. In 2023G, depreciation and amortization remained relatively stable, with a slight increase noted amounting to SAR 90 million.

IT related cost

IT related costs are predominantly related to software licenses, along with other hardware-related expenses. IT costs increased from SAR 33 million in 2021G to SAR 78 million in 2022G mainly driven by the increase in license-related costs incurred for Panda by SAR 41 million implementation of Oracle Fusion which led to increased licensing costs and number of subscriptions.

IT costs dropped to SAR 61 million in 2023G mainly due to the one-off effect of Panda ERP implementation costs in the previous year.

Training, subscriptions, and conferences

Training, subscriptions and conferences costs increased from SAR 21 million in 2021G to SAR 35 million in 2022G, reflecting the increase to subscription costs related to investments in IT infrastructure and fees for attendance at training conferences post-pandemic.

Subsequently, training, subscriptions and conference further increased to SAR 39 million in 2023G mainly due to general inflationary trend.

Insurance

Insurance expenses remained relatively stable over the 2021-2023G period averaging SAR 19 million with no significant changes noted.

Repairs and maintenance

Repairs and maintenance remained relatively stable over the 2021-2023G period averaging SAR 10 million and reflecting normal business practice.

Traveling

Travelling cost increased from SAR 6 million in 2021G to SAR 9 million in 2022G, in line with the full removal of COVID-19-related travel restrictions and the return to normal business operations. Traveling costs remained relatively stable in 2023G, at SAR 10 million.

Utilities, telephone, and communication cost

Utilities, telephone and communication costs dropped from SAR 19 million in 2021G to SAR 4 million in 2022G and then increased back to SAR 22 million in 2023G mainly due to a reversal in Panda amounting to SAR 16 million during 2022G.

Rent

Rent costs are mainly related to short-term warehouse and office related rents that are not part of IFRS 16. Rent cost remained relatively stable over the 2021-2023G period at c. SAR 4 million.

Others

Others mainly comprises, withholding tax expenses, directors' related expenses, licensing fees, municipal fees, contingency provisions, amongst others.

Others cost increased from SAR 67 million in 2021G to SAR 88 million in 2022G, mainly driven by software write-off related to Panda amounting by SAR 24 million.

Others increased further to SAR 108 million in 2023G mainly due to an increase in withholding tax, municipal and licensing costs and certain provisions pertaining to Sudan operations.

7.7.1.5 Finance Costs

Table (7.10): Finance costs for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Commission income on bank deposits	57	73	138	27.8%	89.7%	55.7%
Gain on re-measurement of other commodity futures	11	2	-	(77.4%)	(100.0%)	(100.0%)
Positive fair value of options	27	-	-	(100.0%)	NA	(100.0%)
Finance income	**94**	**75**	**138**	**(20.0%)**	**83.7%**	**21.2%**
Financial charges on borrowings	291	419	730	44.0%	74.0%	58.3%
Interest expense on lease liabilities	223	254	197	13.9%	(22.2%)	(5.9%)
Bank commission	60	30	24	(51.0%)	(18.6%)	(36.8%)
Foreign exchange loss, net	5	1	90	(88.5%)	14540.3%	311.1%
Negative fair value of options	-	25	88	NA	258.9%	NA
Loss on re-measurement of the commodity futures	-	18	57	NA	213.3%	NA
Unwinding of discount on site restoration	6	6	3	(0.8%)	(42.6%)	(24.5%)
Finance cost	**585**	**752**	**1,189**	**28.4%**	**58.2%**	**42.5%**
Net finance cost recognized in profit or loss	**491**	**676**	**1,051**	**37.6%**	**55.4%**	**46.2%**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Finance income decreased from SAR 94 million in 2021G to SAR 75 million in 2022G mainly driven by a drop in positive fair value of options by SAR 27 million, partially offset by an increase in commission income on bank deposits by SAR 16 million. Finance income increased from SAR 75 million in 2022G to SAR 138 million in 2023G mainly driven by the increase in commission income on bank deposits by SAR 65 million.

Commission income on bank deposits

Commission income on bank deposits increased by 27.8% from SAR 57 million in 2021G to SAR 73 million in 2022G due to increase in average interest rates in Egypt and others. Commission income on bank deposits increased by 89.7% from SAR 73 million in 2022G to SAR 138 million in 2023G mainly due to an increase in deposit base and interest rates in Egypt, as a result of the devaluation of the Egyptian currency over the period.

Gain on re-measurement of other commodity futures

Gain on re-measurement of other commodity futures decreased by 77.4% from SAR 11 million in 2021G to SAR 2 million in 2022G and further to nil in 2023G due to fluctuation in fair value of underlying instruments.

Positive fair value of options

Positive fair value of options in 2021G was SAR 27 million then decreased by 100% to reach zero for the years 2022G-2023G due to fair value loss on put and call options upon a decrease in valuation of the underlying investment in USCE.

Financial charges on borrowing

Financial charges on borrowing sharply increased by 44.0% from SAR 291 million in 2021G to SAR 419 million in 2022G mainly due to higher interest rates. Financial charges on borrowing increased further to SAR 730 million in 2023G mainly driven by higher SAIBOR rate in KSA as well as higher interest rates in overseas jurisdictions where the Group operates, over the period.

Interest expenses on lease liabilities

Interest expenses on lease liabilities related to finance charges on lease liabilities increased from SAR 223 million in 2021G to SAR 254 million in 2022G and then dropped to SAR 197 million in 2023G, mainly due to the one-off impact of Herfy prior year adjustments amounting to SAR 38 million in 2022G.

Bank Commission

Bank Commission decreased by 51.0% from SAR 60 million in 2021G to SAR 30 million in 2022G mainly due to the reclassification of Panda POS terminal charges from finance costs to selling and distribution expenses amounting to SAR 34 million and further to SAR 24 million in 2023G.

Foreign exchange loss, net

Foreign exchange loss, net decreased from SAR 5 million in 2021G to SAR 1 million in 2022G mainly due to lower net monetary position in overseas markets. Foreign exchange loss increased from SAR 1 million in 2022G to SAR 90 million in 2023G predominantly due to significant devaluation in Egypt, Turkey, Sudan, and Iran, coupled with higher net monetary position in overseas markets.

Negative fair value of options

Negative fair value of options increased from nil in 2021G to SAR 25 million in 2022G and further to SAR 88 million in 2023G, in line with the decrease in valuation of the underlying investment in USCE over the period.

Loss on re-measurement of other commodity futures

In 2021G, the Group has not incurred any loss on re-measurement of other commodity futures. In 2022G, the Group made a loss on re-measurement of other commodity futures of SAR 18 million and increased by 213.3% to SAR 57 million in 2023G due to fluctuation in fair value of underlying instruments.

Unwinding of discount on site restoration

Unwinding of discount on site restoration remained stable at SAR 6 million over the 2021G-2022G period and dropped to SAR 3 million in 2023G as part of normal business practice.

7.7.1.6 Zakat and Income Tax Expense

Table (7.11): Zakat and income tax expense for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Foreign income-tax charge	66	136	230	105.9%	68.9%	86.5%
Zakat	44	48	38	10.9%	(20.6%)	(6.2%)
Total	**110**	**184**	**268**	**68.1%**	**45.3%**	**56.3%**
Deferred foreign income-tax (reversal) / charge	19	(16)	(40)	(184.0%)	147.9%	NA
Total	**129**	**168**	**229**	**30.9%**	**35.6%**	**33.2%**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

7.7.2 Balance Sheets

Table (7.12): Statement of financial position for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Assets			
Property, plant and equipment	5,872	5,839	6,046
Right-of-use assets	3,313	3,217	3,040
Intangible assets and goodwill	1,858	1,797	1,679
Investment property	68	177	193
Equity-accounted investees	8,986	8,943	9,309
Investments at fair value through other comprehensive income	475	104	98
Derivatives	2	-	-
Deferred tax asset	29	33	51
Non-current assets	**20,605**	**20,111**	**20,416**
Inventories	3,602	4,637	4,252
Derivative	-	-	-
Trade receivables	1,607	1,658	1,753
Prepayments and other receivables	1,331	1,493	1,567
Investments at fair value through profit or loss	27	43	23
Term deposits	-	623	738
Cash and bank balances	1,375	812	1,213
Assets held for sale	-	187	-
Current assets	**7,941**	**9,454**	**9,546**
Total assets	**28,546**	**29,565**	**29,963**
Equity			
Share capital	5,340	5,340	5,340
Share premium	343	343	343
Shares held under employees' share-based payment plan	(30)	(52)	(121)
Statutory reserve	1,774	1,774	1,774
General reserve	4	4	4
Other reserves	(105)	(453)	(457)
Effect of transactions with non-controlling interests without change in control	(188)	(188)	(221)
Foreign currency translation reserve	(1,899)	(2,066)	(2,355)
Retained earnings	2,840	3,553	4,143
Equity attributable to owners of the Company	**8,079**	**8,255**	**8,451**
Non-controlling interests	1,013	1,062	1,083
Total equity	**9,092**	**9,317**	**9,535**

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Liabilities			
Loans and borrowings	5,137	4,082	4,700
Lease liabilities	3,289	3,156	3,093
Employee benefits	857	844	843
Long-term payables	257	258	224
Derivative	164	-	-
Provision against asset restoration	148	151	154
Deferred tax liability	144	111	86
Non-current liabilities	**9,996**	**8,603**	**9,099**
Loans and borrowings	3,325	4,062	3,888
Lease liabilities	568	566	430
Trade payables	2,908	3,893	3,508
Derivative	-	186	274
Accrued and other liabilities	2,657	2,771	3,230
Liabilities classified as held for sale	-	166	-
Current liabilities	**9,458**	**11,644**	**11,329**
Total liabilities	**19,454**	**20,248**	**20,428**
Total equity and liabilities	**28,546**	**29,565**	**29,963**
KPIs			
DSO (1)	23	23	26
DPO (2)	54	59	69
DIO (3)	32	30	36
CCC (4)	1	(6)	(7)
ROA (5)	1.4%	2.9%	3.6%
ROE (6)	4.4%	9.3%	11.2%
Debt to equity (7)	0.93	0.87	0.90

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) The receivables turnover rate (days) is calculated based average gross trade receivables over the group's total revenues during the year.

(2) The accounts payable turnover rate (days) is calculated based on the average trade payables over the cost of material consumed during the year.

(3) Inventory turnover (days) is calculated based on the average finished goods over the cost of goods sold during the year.

(4) Cash turnover rate (days) is calculated based on the aggregate of the accounts receivable turnover rate (days) and inventory turnover rate (days) less the accounts payable turnover rate (days).

(5) Return on assets is calculated as follows: net profit for the year / total assets at the end of the year.

(6) Return on equity is calculated as follows: Net profit for the year / total equity at the end of the year.

(7) Debt to equity is calculated as follows: Loans and borrowings / total equity at the end of the year.

Non- current assets

Non- current assets decreased from SAR 20,605 million at 31 December 2021G to SAR 20,111 million at 31 December 2022G mainly driven by the decrease in:

1- Investments at fair value through other comprehensive income (FVOCI) by SAR 371 million mainly due to sale of ownership in Knowledge Economic City to Taiba Investment Company for an amount of SAR 256 million in line with the Group's stance on exiting from non-core assets. This was coupled with the decrease in fair value of quoted investments such as Knowledge Economic City by SAR 60 million, Emaar, The Economic City by SAR 24 million, Capiter by SAR 36 million and Maplebear Inc. (commercially known as 'Instacart') by SAR 16 million.

2- Right of use assets by SAR 96 million due to depreciation charge amounting to SAR 479 million partly offset by additions amounting to SAR 349 million mainly in relation with the new store leases and renewal of existing store leases of Panda.

3- Property, plant and equipment by SAR 34 million in line with (i) depreciation charges amounting to SAR 540 million (ii) the negative effect of movement in exchange rate which amounted to SAR 276 million, and (iii) transfers amounting to SAR 35 million made to assets classified as held for sale which relate to Savola Morocco Company. This was partially offset by additions amounting to SAR 823 million in connection with upgrading and enhancing production facilities of SFC amounting to SAR 256 million and Panda stores amounting to SAR 400 million.

4- Intangible assets and goodwill by SAR 60 million due to negative foreign exchange impact amounting to SAR 45 million following the devaluation of Egyptian pound during the year ended 2022G coupled with amortization charges for the year amounting to SAR 39 million and software and license fees written-off of SAR 24 million in Panda (mainly software). This was partially offset by additions amounting to SAR 40 million.

5- Equity accounted investees by SAR 44 million due to (i) dividend received amounting to SAR 357 million mainly from the investment in Almarai, (ii) disposals amounting to SAR 155 million related to the investment in Al-Seera City Company for Real Estate Development and KECD, (iii) and negative fair value adjustment amounting to SAR 176 million (mainly from Almarai amounting to SAR 167 million), (iv) and impairment loss of SAR 17 million on the investment in USCE. This was partially offset by the share profit amounting to SAR 661 million.

6- This was partly offset by the increase in investment property by SAR 109 million mainly related to the reclassification of Herfy tower, amounting to SAR 114 million, from property, plant and equipment to investment property given the reassessment of the purpose of the tower to produce rental income rather than be used as the company headquarters.

Non- current assets increased from SAR 20,111 million at 31 December 2022G to SAR 20,416 million at 31 December 2023G mainly driven by the increase in

1- Equity-accounted investees by SAR 366 million driven by the share profit amounting to SAR 719 million mainly attributable to Almarai and Kinan (collectively contributing to c. SAR 767 million), partially offset by dividend received from the investment in Almarai amounting to SAR 367 million,

2- Net book value of property, plant and equipment by SAR 207 million driven by (i) additions amounting to SAR 890 million namely construction work in progress (SAR 766 million) in connection with enhancing production facilities of SFC and Panda stores under CXR program and (ii) impairment reversal amounting to SAR 184 million mainly related to financial performance improvement in ASCE and Panda stores based on CGU valuation.

3- This was partly offset by the decrease in right of use assets by SAR 177 million driven by depreciation charges amounting to SAR 490 million and lease terminations and modifications amounting to SAR 60 million mainly related to Panda stores. This was partly offset by additions amounting to SAR 375 million mainly in relation to the renewals of existing Panda stores' contracts which amounted to SAR 84 million in addition to new store openings amounting to SAR42 million which include 6 supermarkets and 1 hypermarket.

Current assets

Current assets increased from SAR 7,941 million at 31 December 2021G to SAR 9,454 million at 31 December 2022G mainly driven by the increase in inventories by SAR 1,035 million in line with the increased stock held at Panda stores and oil warehouses to anticipate the demand arising from the approaching Ramadan season, coupled with the overall increase in edible oil prices globally due to geopolitical reasons.

Current assets increased from SAR 9,454 million at 31 December 2022G to SAR 9,546 million at 31 December 2023G mainly driven by the increase in cash, bank balances and term deposit by SAR 516 million in line with the increase in the Group's profit during the same period, this was partly offset by the decrease in inventories by SAR 385 million.

Equity

Equity increased from SAR 9,092 million at 31 December 2021G to SAR 9,317 million at 31 December 2022G mainly driven by the increase in retained earnings by SAR 713 million attributable to (i) profits for the year amounting to SAR 743 million (ii) other comprehensive income for the year amounting to SAR 37 million, and (iii) transfer of fair value reserve for investments designated at FVTOCI from other reserves amounting to SAR 39 million. This was partly offset by (i) dividends paid amounting to SAR 107 million, (ii) increase in other negative reserves from OCI by SAR 319 million and (iii) increase in negative foreign currency translation reserve mainly due to devaluation of Egyptian pound of SAR 220 million.

Equity increased from SAR 9,317 million at 31 December 2022G to SAR 9,535 million at 31 December 2023G mainly driven by the increase in retained earnings by SAR 591 million in line with profits for the year amounting to SAR 899 million and other comprehensive income of SAR 44 million. This was offset by (i) dividends paid amounting to SAR 352 million, (ii) increase in negative foreign currency translation reserve by SAR 288 million mainly due to further devaluations of the currency Egypt and other countries, (iii) purchase of shares held under employees' share based payment plan SAR 80 million, and effect of transactions with non-controlling interests without change in control following the share purchase agreement that the Group has entered with Saudi Geant Company Limited ("the Seller") to acquire the Seller's minority interest of 1.13% in Panda in exchange for consideration amounting to SAR 60 million (of which SAR 33 million was classified as an acquisition without change in control and the remaining SAR 27 million was classified within non-controlling interest), resulting in increase in Group's ownership interest in Panda to 100%.

Non-current liabilities

Non-current liabilities decreased from SAR 9,996 million at 31 December 2021G to SAR 8,603 million at 31 December 2022G mainly driven by the decrease in loans and borrowings by SAR 1,054 million due to net repayments of SAR 999 million on unsecured bank loans and SAR 55 million on secured bank loans, decrease in lease liabilities by SAR 132 million and derivatives of SAR 164 million (following the reclassification to current liabilities), among others.

Non-current liabilities increased from SAR 8,603 million at 31 December 2022G to SAR 9,099 million at 31 December 2023G mainly driven by the increase in net loans and borrowings by SAR 618 million following the increase in both unsecured and secured bank loans by SAR 633 million and SAR 124 million, respectively, partially offset by a decrease in lease liabilities by SAR 63 million, among others.

Current liabilities

Current liabilities increased from SAR 9,458 million at 31 December 2021G to SAR 11,644 million at 31 December 2022G mainly driven by the increase in trade payable SAR 985 million during the same period following the increase in inventory due to higher commodity prices coupled with higher purchases towards year-end in anticipation for Ramadan Season which took place during the three month period ended 31 March 2023G, in addition to the increase in net loans and borrowings by SAR 738 million due to an increase in unsecured short-term loans of SAR 897 million, partially offset by a decrease in bank overdrafts of SAR 57 million , among others.

Current liabilities decreased from SAR 11,644 million at 31 December 2022G to SAR 11,329 million at 31 December 2023G mainly driven by the decrease in trade payables by SAR 385 million due to settlement of obligations payable due to sugar suppliers towards year end, in addition to the decrease in net loans and borrowings by SAR 175 million due to a decrease in secured loans and bank overdrafts, This was partly offset by the increase in accrued and other liabilities by SAR 459 million following the increase in accrued zakat and tax by SAR 104 million, negative fair value of derivatives by SAR 130 million in line with the impact of commodity hedging volume and margin on stock purchases / sales, and accrued expenses by SAR 115 million.

7.7.2.1 Non-Current Assets

Table (7.13): non-current assets for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Property, plant and equipment	5,872	5,839	6,046
Right-of-use assets	3,313	3,217	3,040
Intangible assets and goodwill	1,858	1,797	1,679
Investment property	68	177	193
Equity-accounted investees	8,986	8,943	9,309
Investments at fair value through other comprehensive income	475	104	98
Derivatives	2	-	-
Deferred tax asset	29	33	51
Non-current assets	**20,605**	**20,111**	**20,416**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

7.7.2.1.1 Property, Plant and Equipment

Table (7.14): Property and equipment for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Land	1,267	1,275	1,299
Buildings	1,593	1,522	1,463
Leasehold improvements	524	566	695
Plant and equipment	1,525	1,385	1,432
Furniture and office equipment	372	357	583
Vehicles	81	67	67
Construction work-in-progress	511	667	508
Total	**5,872**	**5,839**	**6,046**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Property, plant and equipment net book value of the Group reached SAR 6,046 million at 31 December 2023G and was mainly comprised of:

a- buildings (representing c.24% of total net book value) and comprised civil works, installations, repairs, fit outs and other developer work executed on the Group's buildings (packaging plant buildings, warehouses, supermarkets, and workshops);

b- plant and equipment (c.24%) and consisted of filling and packaging lines, tin can making lines, PET blowing lines, hydrogenation units, refinery process machineries, storage tanks, motor vehicles, irrigation pivots, warehouse racking units, grinding and roasting machines, electricity generators, etc.

c- land (c.21%) included lands used for supermarkets, hypermarkets, warehouses, freehold land and production facilities; and

d- construction work in progress (c.8%) relating to construction, upgrade, enhancement of the Group's facilities and stores.

Property, plant and equipment net book value decreased from SAR 5,872 million at 31 December 2021G to SAR 5,839 million at 31 December 2022G in line with (i) depreciation charges amounting to SAR 540 million (ii) the effect of movement in exchange rate amounting to SAR 276 million, and (iii) transfer to assets classified as held for sale amounting to SAR 35 million which relate to Savola Morocco Company. This was offset by additions amounting to SAR 823 million in connection with upgrading and enhancing production facilities of SFC amounting to SAR 256 million and Panda stores amounting to SAR 400 million mainly under the CXR program.

Net book value increased from SAR 5,839 million at 31 December 2022G to SAR 6,046 million at 31 December 2023G driven by (i) additions amounting to SAR 890 million namely construction work in progress amounting to SAR 766 million in connection with upgrading and enhancing production facilities of SFC amounting to SAR 128 million and Panda stores amounting to SAR 610 million mainly under CXR program and (ii) impairment reversal amounting to SAR 184 million mainly related to financial performance improvement in ASCE and Panda stores based on CGU valuation. This was offset by (i) depreciation charges amounting to SAR 589 million, (ii) the effect of movement in exchange rate amounting to SAR 108 million in line with the devaluation of the Egyptian pound, (iii) net disposals amounting to SAR 34 million mainly related to disposed assets from Panda stores closures namely scrap sales of shelves amounting to SAR 16 million in addition to scrap sales of multi decks and refrigeration system amounting to SAR 16 million and SAR 5 million respectively, (iv) transfers to investment properties amounting to SAR 12 million, and (v) hyperinflation adjustment amounting to SAR 124 million given the deterioration of the Turkish Lira, Iranian Riyal and Sudanese Pound.

Land

Land mainly included lands used for supermarkets, hypermarkets, warehouses, and production facilities.

The net book value of land increased from SAR 1,267 million at 31 December 2021G to SAR 1,275 million at 31 December 2022G mainly attributable to (i) additions amounting to SAR 8 million related to the newly acquired subsidiary, Bayara Holding, (ii) an impairment reversal on a free-hold land amounting to SAR 43 million (in Panda) due to improvement in performance of certain stores and increase in value of some lands, (iii) transfer from construction work in progress amounting to SAR 31 million related to completion of a Panda store in Obhur, Jeddah, and (iv) hyperinflation adjustment amounting to SAR 7 million. This was partly offset by (i) transfer of land to investment property amounting to SAR 35 million due to change in management's intended use of Herfy Head Office Tower to derive rental income, (ii) effect of movement in exchange rate / other adjustments in mostly Egypt following the devaluation of Egyptian pound amounting to SAR 27 million, (iii) disposals amounting to SAR 14 million, and (iv) transfer to assets classified as held for sale amounting to SAR 5 million related to the sale of Savola Morocco Company

The net book value of land increased from SAR 1,275 million at 31 December 2022G to SAR 1,299 million at 31 December 2023G mainly due to reversal amounting to SAR 37 million of impairment on freehold lands, due to favorable changes in market dynamics coupled with additions amounting to SAR 9 million. This was offset by disposals amounting to SAR 14 million, hyperinflation amounting to SAR 3 million, effect of movement in exchange rate mostly Egypt following the devaluation of Egyptian pound amounting to SAR 3 million.

Buildings

Buildings mainly comprised civil works, installations, repairs, fit outs and other developer work executed on the Group's buildings (packaging plant buildings, warehouses, supermarkets, and workshops).

The net book value of buildings decreased from SAR 1,593 million at 31 December 2021G to SAR 1,522 million at 31 December 2022G mainly driven by (i) depreciation charge amounting to SAR 118 million, and (ii) the transfer to investment property amounting to SAR 79 million due to change in management's intended use of Herfy Head Office Tower to derive rental income. This was partly offset by transfers made from construction work in progress amounting to SAR 145 million related to buildings owned by Herfy Food Services amounting to SAR 123 million and SFC amounting to SAR 17 million.

The net book value of buildings decreased from SAR 1,522 million at 31 December 2022G to SAR 1,463 million at 31 December 2023G mainly driven by depreciation charges amounting to SAR 108 million coupled with the negative movement in the exchange rate amounting to SAR 37 million and transfer of buildings pertaining to Herfy to investment properties amounting to SAR 10 million. This was partly offset by (i) additions amounting to SAR 32 million mainly related to additions in Al Kabeer business for office, cold stores, labor camp, etc. and (ii) transfer made from construction work in progress amounting to SAR 51 million.

Leasehold improvements

Leasehold improvements pertained to alterations, enhancements, or renovations made to the Group's premises, namely supermarkets in light of the CXR transformation.

The net book value of leasehold improvements increased from SAR 524 million at 31 December 2021G to SAR 566 million at 31 December 2022G due to transfers from construction work in progress amounting to SAR 124 million related to Panda stores given the ongoing CXR program. This was partly offset by depreciation charges amounting to SAR 81 million during the same year.

The net book value of leasehold improvements increased from SAR 566 million at 31 December 2022G to SAR 695 million at 31 December 2023G due to transfer made from construction work in progress amounting to SAR 230 million related to Panda stores which underwent the CXR transformation during the same period. This was offset by depreciation charges amounting to SAR 92 million and net disposals amounting to SAR 9 million in connection with disposed leasehold items from Panda stores that went through the renovation as part of the CXR program.

Plant and equipment

Plant and equipment mainly consisted of piping network, flow meters, gauges valves, civil and steel structure, electrical work (cables, cable trays, cable glands), mechanical modification work and others.

The net book value of plant and equipment decreased from SAR 1,525 million at 31 December 2021G to SAR 1,385 million at 31 December 2022G due to (i) depreciation charge amounting to SAR 187 million during the same year, (ii) negative effect of movement in exchange rate by SAR 141 million mainly from Egypt, (iii) transfer to assets classified as held for sale amounting to SAR 26 million related to Savola Morocco Company given that the Group's intent to dispose of.

This was partly offset by additions (i) amounting to SAR 23 million related to the sugar refinery (USC) in KSA such as voltage electric motor, air compressor, vibration monitoring system in addition to other equipment added to the oil refiner (Afia) in KSA in connection with miscellaneous works (piping, PLC automation, calibration and others), (ii) transfer from construction work in progress amounting to SAR 111 million related to completion of on-going projects in SFC during the same period, and (iii) hyper inflationary adjustment amounting to SAR 89 million from Iran, Turkey and Sudan.

The net book value of plant and equipment increased from SAR 1,385 million at 31 December 2022G to SAR 1,432 million at 31 December 2023G mainly due to transfers made from construction work in progress amounting to SAR 223 million in line with the current CXR program and other current projects to upgrade production facilities, coupled with an impairment reversal of SAR 149 million in connection with Alexandria Sugar Company given its improved financial performance during the same period. This was offset by (i) depreciation amounting to SAR 198 million, (ii) negative hyperinflation adjustment amounting to SAR 111 million related to operations in Turkey, Sudan, and Iran and (iii) negative movement in exchange rate amounting to SAR 47 million given the devaluation in Egyptian Pound.

Furniture and office equipment

Furniture and office equipment mainly relate to Panda supermarkets such as counters, shelving units, product stands, desks, shopping baskets, display signs, hairs, lighting systems, cabinets, and others.

The net book value of furniture and office equipment decreased from SAR 372 million at 31 December 2021G to SAR 357 million at 31 December 2022G due to depreciation charge amounting to SAR 129 million, partly offset by transfers from construction work in progress amounting to SAR 113 million related to Panda stores given the ongoing CXR program.

The net book value of furniture and office equipment increased from SAR 357 million at 31 December 2022G to SAR 583 million at 31 December 2023G mainly due transfer made from construction work in progress amounting to SAR 379 million mainly related to the current CXR program (upgrading Panda stores) coupled with additions amounting to SAR 37 million related to Panda stores and amounting to SAR 16 million, and other amounting to SAR 12 million related to SFC. This was partly offset by (i) depreciation charge amounting to SAR 171 million, (ii) disposals amounting to SAR 8 million, and (iii) negative effect of movement in exchange rate amounting to SAR 7 million.

Vehicles

Vehicles (c.1% of total) comprised trucks, vans, and other heavy-duty vehicles with the purpose of food distribution.

The net book value of vehicles decreased from SAR 81 million at 31 December 2021G to SAR 67 million at 31 December 2022G driven by depreciation charge amounted to SAR 24 million during the same year.

The net book value of vehicles remained stable at SAR 67 million between 31 December 2022G and 31 December 2023G.

Construction work-in-progress

Construction work-in-progress mainly related to construction, upgrade, enhancement of the Group's facilities and stores.

Construction work in progress increased from SAR 511 million at 31 December 2021G to SAR 667 million at 31 December 2022G attributable to additions amounting to SAR 763 million in connection with upgrading and enhancing production facilities of (i) SFC amounting to SAR 256 million mainly related to installation of plant and machinery in the Group's sugar factory in Jeddah, expansion of the Sudan factory, and other facilities related to the oil segment and (ii) Panda stores amounting to SAR 400 million in connection with the construction and upgrade of supermarkets and hyper markets under CXR program. This was partly offset by transfers amounting to SAR 537 million driven by the completion of construction works made to Panda stores in connection with the CXR program amounting to SAR 257 million and SFC amounting to SAR 111 million which relate to the projects which are completed during the same period (related to upgrading and enhancing the production and logistic facilities).

Construction work in progress decreased from SAR 667 million at 31 December 2022G to SAR 508 million at 31 December 2023G mainly due to transfers amounting to SAR 892 million out of which SAR 634 million in relation to the completion of 75 Panda stores (CXR program) in addition to transfers related to SFC amounting to SAR 245 million in relation to the completed projects during the same period. This was partly offset by additions amounting to SAR 766 million mainly of which SAR 610 million related to the on-going CXR program.

7.7.2.1.2 Right-of-Use Assets

Table (7.15): Right- of-use assets for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Land	650	665	643
Buildings	2,614	2,517	2,372
Plant and equipment	6	5	5
Vehicles	43	29	21
Total	**3,313**	**3,217**	**3,040**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Right-of-use of assets mainly comprised leased supermarkets, hypermarkets, warehouses, compounds, busses, cars amongst others.

Right-of-use of assets decreased from SAR 3,313 million at 31 December 2021G to SAR 3,217 million at 31 December 2022G due to depreciations amounting to SAR 479 million partly offset by additions amounting to SAR 349 million mainly in relation with Panda stores amounting to SAR 241 million and Herfy stores amounting to SAR 45 million, and other leases related to SFC namely a land amounting to SAR 31 million in Alexandria United Company for Land Reclamation mainly used for beet cultivation purpose and (ii) impairment reversal of SAR 38 million driven by performance improvement of certain Panda stores that were previously impaired and increase in value of Panda lands.

Right-of-use of assets decreased from SAR 3,217 million at 31 December 2022G to SAR 3,040 million at 31 December 2023G driven by depreciation charges of SAR 490 million and lease terminations and modifications amounting to SAR 60 million mainly related to Panda stores. This was partly offset by additions amounting to SAR 376 million mainly in relation to the renewals of existing Panda stores' contracts in addition to new store openings which include 6 supermarkets and 1 hypermarket.

At 31 December 2023G, right-of-use assets amounted to SAR 3,040 million and mainly comprised of:

Land

Land contributes to 21% of total right of use assets at 31 December 2023G.

Right-of-use of land increased from SAR 650 million at 31 December 2021G to SAR 665 million at 31 December 2022G in line with additions amounting to SAR 51 million this was coupled by lease modification amounting to SAR 40 million during the same period. This was partly offset by depreciation amounting to SAR 67 million during the same year.

Right-of-use of land decreased from SAR 665 million at 31 December 2022G to SAR 643 million at 31 December 2023G mainly due to depreciation charge amounting to SAR 72 million, partly offset by additions amounting to SAR 49 million of which SAR 23 million relates to Good Food Company.

Buildings

Buildings contributes to 78% of total right of use assets at 31 December 2023G. Right-of-use of buildings mainly comprise the lease contracts of the Group's supermarket, hypermarkets, warehouses, and compounds.

Buildings decreased from SAR 2,614 million at 31 December 2021G to SAR 2,517 million at 31 December 2022G driven by depreciation amounting to SAR 392 million and lease terminations/modification amounting to SAR 30 million which mainly relate to store closures during the same period. This was partly offset by (i) additions amounting to SAR 289 million mainly related to the renewal of leases of Panda supermarkets and hypermarkets in addition to new leases related to Herfy amounting to SAR 26 million and SFC (mainly warehouses) and (ii) impairment reversal amounting to SAR 39 million in connection with previously impaired stores that witnessed financial performance improvement during 2022G.

Buildings decreased from SAR 2,517 million at 31 December 2022G to SAR 2,372 million at 31 December 2023G driven by depreciation charges amounting to SAR 396 million coupled with termination of lease contracts amounting to SAR 56 million during the same period. This was partly offset by additions amounting to SAR 311 million mainly in relation to (i) to the renewals of existing Panda stores' contracts in addition to new store which include 6 supermarkets and 1 hypermarket, and (ii) new leases in Good Food Company amounting to SAR 33 million.

Plant and equipment

Plant and equipment contribute to 0.2% of total right of use of assets at 31 December 2023G. Right-of-use of plant and equipment mainly related to leased equipment acquired through the acquisition of Bayara Holdings Limited during 2021G. Right-of-use of plant and equipment remained stable over 2021G-2023G.

Vehicles

Vehicles contributes to 1% of total right of use assets at 31 December 2023G. Right-of-use of vehicles mainly comprised cars, buses and other heavy-duty trucks used for logistical purposes. Vehicles decreased from SAR 43 million at 31 December 2021G to SAR 29 million at 31 December 2022G in line with depreciation charges amounting to SAR 20 million during the same year.

Vehicles right of use decreased from SAR 29 million at 31 December 2022G to SAR 21 million at 31 December 2023G driven by depreciation charges amounting to SAR 22 million, partly offset by additions amounting to SAR 16 million mainly related to cars and heavy-duty trucks in connections with food processing distribution.

7.7.2.1.3 Intangible Assets and Goodwill

Table (7.16): Intangible assets and goodwill for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Goodwill	976	973	882
Brands with indefinite useful life	574	480	480
Software	175	184	170
Customer list	125	152	139
Distribution network	8	7	7
Total	**1,858**	**1,797**	**1,679**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Intangible asset and goodwill reached to SAR 1,679 million at 31 December 2023G and mainly comprised of goodwill arising from historical acquisitions (c.53%), brands with indefinite useful life (c.29%), software (c.10%), and customer list (c.8%).

Intangible assets decreased from SAR 1,858 million at 31 December 2021G to SAR 1,797 million at 31 December 2022G due to negative FX impact amounting to SAR 45 million following the devaluation of Egyptian pound during the year ended 31 December 2022G, amortization for the year amounting to SAR 39 million and software write-off of SAR 24 million related to Panda. This is partially offset by additions amounting to SAR 40 million mainly related to Panda supermarkets (of which SAR 32 million for the replenishment and planning system, CRM loyalty software license and others) coupled with reclassifications from property, plant and equipment amounting to SAR 18 million mainly relating to software.

Intangible assets decreased from SAR 1,797 million at 31 December 2022G to SAR 1,679 million at 31 December 2023G due to (i) goodwill impairment of SAR 75 million related to Bayara Holding Limited due to lower performance than projected, (ii) amortization for the year amounting to SAR 39 million, (iii) negative impact of exchange rate on goodwill due to further devaluation of Egyptian pound amounting to SAR 16 million. This is partially offset by additions amounting to SAR 20 million mainly related to Panda supermarkets' new/improvement to software.

Goodwill

Table (7.17): Goodwill by brand for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	Legal entity	At 31 December		
		2021G (Audited)	2022G (Audited)	2023G (Audited)
Bayara holding limited	SFC	477	531	456
Savola industrial investment company	SFC	146	146	146
Giant stores trading company	Panda	95	95	95
Afia international company	SFC	84	84	84
El Maleka for food industries company	SFC	69	44	35
Herfy foods services company	Savola Group	25	25	25
Afia international company, Egypt	SFC	28	18	14

SAR in millions	Legal entity	At 31 December		
		2021G (Audited)	2022G (Audited)	2023G (Audited)
United sugar company	SFC	15	15	15
KUGU gida yatum ve ticaret A. S	SFC	11	8	5
Atabet al bab communications and information technology LLC.	Panda	13	-	-
Seafood international holdco	SFC	8	3	3
Notrika golden wheat company	SFC	3	2	2
Behshahr industrial company	SFC	2	2	1
Total		**976**	**973**	**882**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions and is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill represents c.53% of the Group's intangible asset at 31 December 2023G. Bayara holding limited which was 100% acquired in 2021G, contributes to the majority of the Group's goodwill over 2021G-2023G (c.52%), followed by SIIC (c.15%) and Giant store (c.10%).

Goodwill decreased from SAR 976 million at 31 December 2021G to SAR 973 million at 31 December 2022G mainly driven by the impairment loss booked on goodwill arising from Atabet Al Bab Communication ("Al Bab") amounting to SAR 13 million coupled with the decrease in the value of goodwill due to effects of currency devaluation amounting to SAR 44 million. This was offset by the increase in goodwill arising from the investment in Bayara Holding Limited given the adjustment of SAR 54 million made on the provisional price allocation.

Goodwill decreased from SAR 973 million at 31 December 2022G to SAR 882 million at 31 December 2023G mainly driven by impairment charge of SAR 75 million in connection with the investment in Bayara Holdings coupled with the decrease in other investments due to effects of Egyptian pound devaluation amounting to SAR 16 million.

Brands with indefinite useful life

Brands with indefinite useful life represent the value associated with well-established brands, trademarks, or other identifiable symbols that are expected to contribute to the company's earnings and cash flows indefinitely, without a foreseeable limit on their useful life.

At 31 December 2023G, the balance mainly related to brands recognized from the acquisition of Bayara Holdings Limited for SAR 228 million and frozen food brands (Good Food Company) for SAR 252 million.

Brands with indefinite useful life decreased from SAR 574 million at 31 December 2021G to SAR 480 million at 31 December 2022G due to the adjustment on the provisional purchase price allocation booked in 2022G amounting to SAR 94 million in connection with the investment in Bayara Holdings Limited.

Brands with indefinite useful life remained stable at SAR 480 million at 31 December 2022G and 31 December 2023G.

Software

Software mainly related to Group's ERP, CRM (namely loyalty software used for Panda supermarkets), integration software and other software utilized by the Group on a daily basis. Panda software contributes to 91% of the Group software at 31 December 2023G.

Software increased from SAR 175 million at 31 December 2021G to SAR 184 million at 31 December 2022G in line with additions amounting to SAR 40 million mainly related to Panda supermarkets (of which SAR 32 million for the replenishment and planning system, CRM loyalty software license and others as part of the CXR program), coupled with reclassifications from property, plant and equipment amounting to SAR 18 million in Panda with regard to software. This was partly offset by amortization amounting to SAR 26 million and software and license fees write-off/ reclassification to operating expenses of SAR 24 million (for software).

Software decreased from SAR 184 million at 31 December 2022G to SAR 170 million at 31 December 2023G mainly due to amortization of SAR 25 million, write-off of SAR 9 million due to software write-off in Panda partially offset by additions of SAR 20 million (mainly stemming from Panda due to new/improvement to software).

Customer list

Customer list refers to a compilation of information about the customers with whom a company has established relationships or from whom it derives revenue. At 31 December 2023G the balance mainly relates to Bayara Holding Limited for SAR 77 million, and customers related to frozen food products (Good Food Company) for SAR 62 million.

Customer list increased from SAR 125 million at 31 December 2021G to SAR 152 million at 31 December 2022G due to the adjustment on the provisional purchase price allocation booked in 2022G amounting to SAR 40 million in connection with the investment in Bayara Holdings Limited.

Customer list decreased from SAR 152 million at 31 December 2022G to SAR 139 million at 31 December 2023G in line with periodic amortization amounting to SAR 13 million during the same period.

Distribution network

Distribution network refers to the infrastructure, channels, and relationships that a company has established to distribute its products or services to customers.

Distribution network decreased from SAR 8 million at 31 December 2021G to SAR 7 million at 31 December 2022G due to amortization charges during the same year.

Distribution network remained stable at SAR 7 million between 31 December 2022G and 31 December 2023G.

7.7.2.1.4 Equity-Accounted Investees

Table (7.18): Equity-accounted investees for the years ended 31 December, 2021G, 2022G, and 2023G.

Name	Principal business sector	Country of incorporation	Ownership Interest (%)			December 31		
			2021G	2022G	2023G	2021G	2022G	2023G
Almarai company ("Almarai")	Fresh food products	Saudi Arabia	34.52	34.52	34.52	8,293	8,387	8,771
Kinan international for real estate development company ("Kinan")	Real estate	Saudi Arabia	29.9	29.9	29.9	288	357	397
United sugar company, Egypt ("USCE")	Sugar manufacturing	Egypt	33.82	33.82	33.82	228	185	128
Al-Seera city company for real estate development	Real estate	Saudi Arabia	40	-	-	144	-	-
United edible oils holding limited	Holding company	Cayman Islands	51	-	-	5	-	-
Intaj capital limited ("Intaj")	Fund management	Republic of Tunisia	49	49	49	13	13	13
Knowledge economic city developers' company	Real estate	Saudi Arabia	2.07	-	-	16	-	-
Total						**8,986**	**8,943**	**9,309**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Equity-accounted investees are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates and joint ventures are accounted for using the equity method (equity-accounted investees). They are initially recognized at cost which includes transaction costs.

Equity-accounted investees amounted to SAR 9,309 million at 31 December 2023G and mainly included the 34.5% stake in Almarai Company a dairy company, leading food group in MENA, with a presence in the dairy, juices, bakery, poultry, and infant nutrition categories.

Equity-accounted investees decreased from SAR 8,986 million at 31 December 2021G to SAR 8,943 million at 31 December 2022G mainly due to (i) dividend received amounting to SAR 357 million mainly from the investment in Almarai, (ii) disposals of SAR 155 million related to the investment in Al-Seera City Company for Real Estate Development and KECD, (iii) negative fair value adjustment amounting to SAR 176 million, (iv) and impairment loss of SAR 17 million. This is offset by the share profit amounting to SAR 661 million mainly attributable to Almarai and Kinan (collectively contributing to c. SAR 688 million).

The Group's equity-accounted investees increased from SAR 8,943 million at 31 December 2022G to SAR 9,309 million at 31 December 2023G mainly driven by (i) the share profits amounting to SAR 719 million mainly attributable to Almarai and Kinan (collectively contributing to SAR 767 million), and (ii) share in reserves amounting to SAR 10 million. This is partially offset by dividend received from the investment in Almarai and Kinan collectively amounting to SAR 367 million.

Almarai

Almarai represents the largest investment for the Group at 31 December 2023G, amounting to SAR 8,771 million. The Group currently holds c.34.5% ownership interest at 31 December 2023G. Almarai is listed on the Tadawul stock exchange and the fair value of Almarai (Savola's stake) based on quoted market price amounted to SAR 19.3 billion at 31 December 2023G.

During the year ended 31 December 2021G, the investment was valued at SAR 8,293 million and it increased to SAR 8,387 million at 31 December 2022G due to share profit attributable to Almarai during that period amounting to SAR 607 million, partly offset by dividends received amounting to SAR 345 million and the increase in negative reserve by SAR 167 million during the same year.

The investment in Almarai Company further increased to SAR 8,771 million at 31 December 2023G due to share of profits amounting to SAR 705 million and positive reserve of SAR 23 million, partly offset by dividends received amounting to SAR 345 million during the same year.

Kinan

Is a real estate development company in which the Group owns c.29.9% stake in over the years 2021G-2023G.

The value of the investment increased from SAR 288 million at 31 December 2021G to SAR 357 million at 31 December 2022G mainly driven by share of profits amounting to SAR 81 million, partly offset by dividends received amounting to SAR 12 million during the same period. The investment in Kinan increased further to reach SAR 397 million at 31 December 2023G attributable to share of profits amounting to SAR 62 million, offset by dividends amounting to SAR 22 million during the same year.

United Sugar Company, Egypt (USCE)

Is an Egyptian company that focuses on refining and packaging sugar.

Savola Company owns c.10.6% direct interest in USCE and indirect interest of c.31.2% through United Sugar Company (Saudi Arabia) a c.74.4% owned subsidiary by SFC. The Group effective ownership interest in USCE is c.33.8% over the years 2021G-2023G.

The investment decreased from SAR 228 million at 31 December 2021G to SAR 185 million at 31 December 2022G and further to SAR 128 million at 31 December 2023G mainly driven by share of losses incurred in the investee during the same period.

In addition, during 31 December 2023G, the Group has adjusted the carrying value of its investment in USCE based on its fair value and recorded an impairment charge amounting to SAR 2 million at 31 December 2023G and SAR 17 million at 31 December 2022G. Losses for the last two years are primarily attributed to macro-economic factors and operational challenges.

Al Seera City Company for Real Estate Development and Knowledge Economic City Developers Company ("KECD")

Is a real estate Company located in Saudi Arabia. The Group's c.40.0% stake in Al Seera amounted to SAR 144 million at 31 December 2021G. Knowledge Economic City Developers Company is a real estate company located in Saudi Arabia. The 2.07% interest at 31 December 2021G stood at SAR 16 million.

During 2022G, Seera entered into an agreement with its shareholders to return Seera's investment in KECD to its shareholders in proportion to each shareholder's relative ownership in Seera. Accordingly, the Group's investment in Seera was replaced with a direct investment in KECD and consequently, the Group's direct ownership in KECD increased from 2.07% to 20.72% during the same year. Legal formalities for the fulfilment of this agreement were completed on 30 May 2022G.

As part of the Group's continued focus on exiting from non-core assets, on 10 August 2022G, the Group entered into an agreement with Taiba Investment Company for sale of its investments in Knowledge Economic City Company ("KEC") and KECD. The sale transaction was completed on 29 December 2022G and generated cash proceeds amounting to SAR 459 million, resulting in a gain of SAR 39 million (related to KEC), recorded in OCI, and a gain of SAR 42 million (related to KECD), recorded in the statement of profit and loss.

United Edible Oil Holding

Khairat Al Sharq General Trading and Foodstuff Industry Company Limited ("KASCO") are both wholly owned subsidiaries of United Edible Oil Holding (which in turn is a wholly owned subsidiary of Aseel Food – Hold Co. which in turn is a wholly owned subsidiary of AIC and thus SFC). The Group's ownership in KASCO reached c.20.7% at 31 December 2021G. KASCO loss has exceeded its cost of investment during the year ending at 31 December 2022G and the excess loss of SAR 3 million was included in liabilities classified as held for sale at 31 December 2022G.

During the year ended 31 December 2023G, the Group sold its investment in United Edible Oils Holding Limited under a Share Purchase Agreement ("SPA") dated 20 November 2023G. At 31 December 2023G, all legal formalities for the sale were completed, resulting in a gain on disposal amounting to SAR 0.2 million.

Intaj Capital Limited

Is a fund management firm located in the Cayman Islands in which the Group has c.49.9% ownership and was valued at SAR 13 million at 31 December 2021G. The value of this investment remained stable at SAR 13 million across 2021G-2023G.

7.7.2.1.5 Investments at fair value through other comprehensive income

Table (7.19): Investments at fair value through other comprehensive income for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Quoted investments	395	56	58
Unquoted investments	80	49	40
Total	**475**	**104**	**98**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Investments held for fair value through other comprehensive income (FVOCI) reached SAR 98 million at 31 December 2023G and mainly comprised of quoted investment of SAR 58 million of which Emaar, The Economic City and Knowledge Economic City is the major contributor.

Quoted investments

Quoted investments amounting to SAR 58 million at 31 December 2023G.

The investments in Emaar, The Economic City and Knowledge Economic City, amounted to SAR 80 million and SAR 316 million, respectively, at 31 December 2021G. The ownership in Knowledge Economic City was sold the following year to Taiba Investment Company due to the Group's stance on exiting from non-core assets. On the other hand, the investment in Emaar, The Economic City decreased from SAR 80 million at 31 December 2021G to SAR 56 million at 31 December 2022G mainly due to negative fair value adjustments of SAR 24 million. Quoted investments marginally increased to SAR 58 million following the reclassification of Maplebear Inc. (commercially known as 'Instacart'), upon its listing in 2023G, amounting to SAR 5 million from unquoted to quoted partially offset by a decrease in fair value (based on market-to-market price) of Emaar, The Economic City by SAR 3 million.

Unquoted investments

Unquoted investments amounting to SAR 40 million at 31 December 2023G mainly include investments Swicorp Saudi Arabia amounting to SAR 22 million, followed by Red Sea Farm amounting to SAR 19 million. Unquoted investments decreased from SAR 80 million at 31 December 2021G to SAR 49 million at 31 December 2022G mainly due to FV loss (based on market-to-market price) recognized in OCI in relation to Capiter amounting to SAR 36 million, Swicorp amounting to SAR 8 million and Maplebear Inc. (commercially known as 'Instacart') amounting to SAR 16 million, partially offset by an investment of SAR 9 million in Capiter and SAR 19 million in Red Sea Farms.

Unquoted investments further decreased to SAR 40 million at 31 December 2023G mainly due to the reclassification of Maplebear Inc. (commercially known as 'Instacart'), upon its listing in 2023G to quoted investment.

7.7.2.1.6 Deferred tax asset

Table (7.20): Deferred tax asset for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Property, plant and equipment	-	-	-
Provisions	10	11	20
Other items	3	5	10
Tax losses carry-forward	16	17	21
Net tax asset	**29**	**33**	**51**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Deferred tax asset reached SAR 51 million at 31 December 2023G. Deferred tax asset is calculated in accordance with IAS-12 and is only recorded based on future taxable profits that are available to the Group.

Deferred tax assets increased from SAR 29 million at 31 December 2021G to SAR 33 million at 31 December 2022G mainly stemming from ASCE and SFEM Algeria which increased by SAR 5 million and SAR 3 million respectively, due to carry forward losses incurred during 2022G. The increase in deferred tax assets was partially offset due to the decrease related to KUGU Turkey amounting to SAR 2 million primarily from the devaluation of the Turkish lira.

Deferred tax assets increased from SAR 33 million at 31 December 2022G to SAR 51 million at 31 December 2023G mainly due to KUGU in Turkey amounting to SAR 11 million and AICE amounting to SAR 6 million due to increase in losses during 2023G.

7.7.2.2 Current Assets

Table (7.21): Current assets for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Inventories	3,602	4,637	4,252
Derivative	-	0	-
Trade receivables	1,607	1,658	1,753
Prepayments and other receivables	1,331	1,493	1,567
Investments at fair value through profit or loss	27	43	23
Term deposits	-	623	738
Cash and bank balances	1,375	812	1,213
Assets held for sale	-	187	-
Current assets	**7,941**	**9,454**	**9,546**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

7.7.2.2.1 Inventories

Table (7.22): Inventories for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Finished products	1,770	2,047	2,211
Raw and packing materials	1,266	1,859	1,254
Work in process	48	89	75
Spare parts and supplies	198	237	278
Goods in transit	492	601	541
Gross inventories	**3,775**	**4,833**	**4,359**
Less: Provision for obsolescence / slow moving inventories	(174)	(196)	(107)
Total	**3,602**	**4,637**	**4,252**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

The Group's inventories amounted to SAR 4,252 million at 31 December 2023G and mainly comprised:

a- SFC inventory (SAR 2,412 million at 31 December 2023G): comprise raw and packaging materials, spare parts and supplies, work in progress, and finished goods used to produce, distribute and sell edible oil, sugar, pasta and other food.

b- Panda (finished goods) (SAR 1,496 million at 31 December 2023G) inventory include food supplies, packaging material and other merchandise which relate to all the consumer goods shelved and stocked in Panda supermarkets.

c- GFC (SAR 206 million at 31 December 2023G) relate to Al Kabeer Frozen food brand which includes meat and poultry, seafood, frozen snacks, readymade meals and others.

d- Herfy (SAR 149 million at 31 December 2023G) consists of food supplies, packaging materials and other merchandise in connection with the fast-food chain "Herfy".

Inventories increased from SAR 3,602 million at 31 December 2021G to SAR 4,637 million at 31 December 2022G in line with the increased stock held at Panda stores by SAR 169 million and food processing stock (mainly oil and sugar) by SAR 735 million in anticipation of increased demand arising from the approaching Ramadan season, coupled with the overall increase in edible oil prices globally.

Inventories decreased from SAR 4,637 million at 31 December 2022G to SAR 4,252 million at 31 December 2023G due to the decrease in raw materials located in Savola Sudan whereby total raw materials decreased from SAR 102 million at 31 December 2022G to SAR 20 million at 31 December 2023G following the temporary disruption of operations in Sudan during 2022G and due to the Group exit from Morocco.

Finished products

Finished products amounted to SAR 2,211 million at 31 December 2023G and mainly comprised (i) retail finished goods, supplies and other merchandise amounting to SAR 1,484 million and stocked in Panda supermarkets and hyper markets namely: grocery food, grocery non-food, fresh food, textiles, accessories and others, (ii) food processing goods in SFC amounting to SAR 628 million in connection with Afia Brand (oil, cinnamon powder, coriander, garlic powder, thyme, oregano), Osra Brand (Sugar), and other food brands such as Sham El Zahabia Oil, Al Rawaby and others, and (iii) other finished goods related to frozen food.

Finished products increased from SAR 1,770 million at 31 December 2021G to SAR 2,047 million at 31 December 2022G due to the increase in retail finished goods (related to Panda stores) by SAR 157 million in line with the increase in purchases to secure food supplies in anticipation for Ramadan season which took place in the 1st quarter of 2023G. This was coupled with the increase in food processing finished goods (SFC) by SAR 91 million as a result of the increased levels of Afia finished products held towards year end to accommodate the growth in Afia Saudi Arabia's operations (revenue generated from Afia KSA increased by SAR 829 million during the same period).

Finished products further increased to SAR 2,211 million at 31 December 2023G due to the increase in retail finished goods (related to Panda stores) by SAR 135 million in line with the increase in purchases to secure food supplies in anticipation for Ramadan season which took place in the 1st quarter of 2024G. This was coupled with the increase in food processing finished goods by SAR 58 million attributable to the increase in Sugar products following the increase in sugar revenue during the same period.

Raw and packaging materials

Raw and packaging materials amounted to SAR 1,254 million at 31 December 2023G and mainly consisted of (i) food processing raw material related to SFC amounting to SAR 1,093 million namely raw sugar, crude corn oil, palm olein, crude sunflower oil, (ii) and other raw materials used for packaging namely carton boxes, bottles, stickers, printed sheets and others.

Raw and packaging materials increased from SAR 1,266 million at 31 December 2021G to SAR 1,859 million at 31 December 2022G in anticipation with Ramadan season.

Raw and packaging materials decreased from SAR 1,859 million at 31 December 2022G to SAR 1,254 million at 31 December 2023G due to the decrease in raw materials located in Sudan (Savola Sudan) whereby total raw materials decreased from SAR 102 million at 31 December 2022G to SAR 20 million at 31 December 2023G following the temporary disruption of operations in Sudan and due to the Group exit from Morocco.

Work in progress

Work in progress amounted to SAR 75 million at 31 December 2023G and comprise food processing products that are currently in the process of being manufactured or assembled but are not yet completed. These are items that have undergone some level of production but are not yet ready for sale or use.

Work in progress increased from SAR 48 million at 31 December 2021G to SAR 89 million at 31 December 2022G and further decreased to SAR 75 million at 31 December 2023G in line with increased production levels in SFC towards year-end.

Spare parts and supplies

Spare parts and supplies amounted to (SAR 278 million at 31 December 2023G) mainly include industrial spare parts used in the food processing manufacturing plants namely belts, gaskets, seals, shafts, valves, oilers and others.

Spare parts and supplies increased from SAR 198 million at 31 December 2021G to SAR 237 million at 31 December 2022G due to additions related to Bayara Holdings Limited.

Spare parts and supplies increased from SAR 237 million at 31 December 2022G to SAR 278 million at 31 December 2023G driven by additions related to Bayara Holdings Limited.

Goods in transit

Goods in transit amounted to SAR 541 million at 31 December 2023G and mainly include inventory items that are being transported from the supplier's location to the Group's premises but have not yet reached the designated port.

Goods in transit increased from SAR 492 million at 31 December 2021G to SAR 601 million at 31 December 2022G and then decreased back to SAR 541 million at 31 December 2023G mainly affected by the timing of orders and shipments made towards year end.

Provision for slow moving inventories

Provision for slow moving inventories increased from SAR 174 million at 31 December 2021G to SAR 196 million at 31 December 2022G mainly driven by (i) additional provisions booked with respect of SFC amounting to SAR 36 million pertaining to damage and obsolete spare parts and expired chemicals and packaging goods, amongst others; (ii) this was offset by decrease in provision related to Panda amounting to SAR 18 million due to reversals following better management of inventory.

Provision for slow moving inventories decreased from SAR 196 million at 31 December 2022G to SAR 107 million at 31 December 2023G due to (i) the decrease in provision balance related to SFC by SAR 47 million given reversal of provision in the oil stock in Saudi Arabia due to the liquidation of previously provisioned olive oil stock which amounted to SAR 11 million in 2023G and this was coupled with write-off of previously provisioned spare parts which amounted to SAR 17 million; and (ii) the decrease in the provision balance related to Panda by SAR 28 million due to successful improvement in monitoring the shrinkage losses and a decrease in non-trade inventory provision.

7.7.2.2.2 Trade Receivables

Table (7.23): Trade receivables for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Trade receivables	1,745	1,810	1,924
Less: Allowance for expected credit losses	(150)	(166)	(188)
Net trade receivables	**1,595**	**1,644**	**1,737**
Due from related parties	12	14	16
Total trade receivables	**1,607**	**1,658**	**1,753**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Trade receivables reached SAR 1,753 million at 31 December 2023G and mainly consists of (i) food processing receivables of SAR 1,504 million in connection with the sale of oil, sugar, pasta and other food products to local and foreign customers, (ii) receivables from frozen food customers of SAR 181 million, (iii) Panda receivables of SAR 36 million, and (iv) others.

Trade receivables

Gross trade receivables increased from SAR 1,745 million at 31 December 2021G to SAR 1,810 million at 31 December 2022G in line with the growth in food processing net trade receivables (SFC) by SAR 54 million given the 30.2% increase in food processing revenue by SAR 3,811 million.

Gross trade receivables increased from SAR 1,810 million at 31 December 2022G to SAR 1,924 million at 31 December 2023G mainly due to the increase in balances due from Afia Egypt and ASCE customers given the increase in oil and sugar revenues in Egypt.

Allowance for expected credit losses

Table (7.24): Allowance for expected credit losses

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Balance at beginning of year	140	150	166
Acquisition through Business Combination	2	-	-
Transfer to assets classified as held for sale	-	(7)	-
Impairment loss for the year, net	17	33	49
Reversals*	(1)	-	-
Currency translation	(7)	(10)	(27)
Balance at end of year	**150**	**166**	**188**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Allowance for expected credit losses amounted to SAR 188 million at 31 December 2023G and is calculated based on the application of the internal policies of the Group and the ECL model (simplified approach).

Allowance for expected credit loss increased from SAR 150 million at 31 December 2021G to SAR 166 million at 31 December 2022G due to the additional provision booked in Panda for certain receivables. The provision further increased to SAR 188 million at 31 December 2023G mostly from SFC amounting to SAR 19 million in line with the increase in provisions from receivables aged more 180 days during the same period.

Due from related parties

Due from related parties increased from SAR 12 million at 31 December 2021G to SAR 14 million at 31 December 2022G due to the increase in balance due from Almarai Company from SAR 4 million at 31 December 2021G to SAR 8 million at 31 December 2022G. This was partially offset by the decrease in the balance due from Western Bakeries Company Limited from SAR 8 million at 31 December 2021G to SAR 7 million at 31 December 2022G in line with payments received from the same party.

Due from related parties increased from SAR 14 million at 31 December 2022G to SAR 16 million at 31 December 2023G mainly due to the increase in balances due from Western Bakeries Company Limited following the increase in sale of specialty fat products made to the same party.

7.7.2.2.3 Prepayments and Other Receivables

Table (7.25): Prepayments and other receivables for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Advances to vendors	357	452	375
Receivable from government authorities	326	395	168
Prepaid expenses	231	244	242
Positive fair value of derivatives	117	73	300
Employee loans and advances	43	66	61
Non-trade receivables	44	44	44
Unclaimed dividends	37	37	3
Due from related parties	28	32	91
Prepaid rent	30	20	22
Change in fair value of hedged item	9	7	111
Refundable deposits	6	6	16
Others	104	117	135
Total	**1,331**	**1,493**	**1,567**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Prepayments and other receivables reached SAR 1,567 million at 31 December 2023G and comprised of:

Advances to vendors

Advances to vendors amounted to SAR 375 million as at 31 December 2023G related to advance payments made to trade and non-trade suppliers mainly to procure supplies for retail and food processing segments in addition to margins paid on letters of credit.

Advances to vendors increased from SAR 357 million at 31 December 2021G to SAR 452 million at 31 December 2022G driven by Panda in line with the increase in purchases made towards the year-end in anticipation of increased demand for Ramadan season in 2022G. This was coupled with the increase arising from Herfy by SAR 55 million as certain advances were netted off with trade payables at 31 December 2021G.

Advances to vendors decreased from SAR 452 million as at 31 December 2022G to SAR 375 million as at 31 December 2023G mainly following the devaluation of the Egyptian Pound and other currencies coupled with the decrease in advances related to Panda by SAR 45 million in relation to inventory purchases.

Receivable from government authorities

Receivable from government authorities amounted to SAR 168 million as at 31 December 2023G and mainly includes claims on account of value added tax, subsidies and advance taxes. Receivables from government authorities increased from SAR 326 million at 31 December 2021G to SAR 395 million at 31 December 2022G mainly due to an increase in Afia Algeria balance in line with the increase in global commodity prices and higher purchases, which in turn increased the subsidy receivable. This was partially offset by a decrease of SAR 40 million due to reclassification of the balance related to Savola Morocco Company to assets held for sale. Receivables from government authorities decreased to SAR 168 million at 31 December 2023G following net payments received from the Government of Algeria amounting to SAR 279 million with regards to subsidies.

Prepaid expenses

Prepaid expenses amounted to SAR 242 million as at 31 December 2023G and mainly included prepaid insurance (medical and non-medical such as fire and asset insurance), visa and iqama expenses, work permit advances, margin on letter of credit, amongst other prepayments.

Prepaid expenses increased from SAR 231 million at 31 December 2021G to SAR 244 million at 31 December 2022G mainly due to the increase in brokers' balance related to hedging. Prepaid expenses remained relatively stable between 31 December 2022G and 31 December 2023G.

Positive fair value of derivatives

Positive fair value of derivatives amounted to SAR 300 million as at 31 December 2023G and solely relates to future exchange commodity contracts to hedge against the inventory price risk on raw sugar.

Positive fair value of derivatives decreased from SAR 117 million at 31 December 2021G to SAR 73 million at 31 December 2022G and increased to SAR 300 million at 31 December 2023G mainly due to a combination of factors that include fluctuation in underlying commodity price since the time of entering the contract, volume, and time to contract expiry; among other factors.

Employee loans and advances

Employee loans and advances amounted to SAR 61 million as at 31 December 2023G and contains housing and other advances granted to employees against their salaries. Employee loans and advances increased from SAR 43 million at 31 December 2021G to SAR 66 million at 31 December 2022G mainly due to reclassification of Herfy advances to employees from other prepayments to employee loans and advances. Employee loans and advances remained relatively stable between 31 December 2022G and 31 December 2023G.

Non-trading receivable

Non-trading receivable amounted to SAR 44 million as at 31 December 2023G and it mainly comprises of a payment made in advance to the other shareholder of Al-Kabeer business and a receivable for which an equal liability is recorded in accrual.

Unclaimed dividends

Unclaimed dividends amounted to SAR 3 million as at 31 December 2023G and pertains to dividends declared by the Group in prior years which remained unclaimed.

Unclaimed dividends remained stable between 31 December 2021G and 31 December 2022G at SAR 37 million. Unclaimed dividends decreased from SAR 37 million at 31 December 2022G to SAR 3 million at 31 December 2023G mainly due to repayments made during the same year.

Due from related parties

Due from related parties reached SAR 91 million as at 31 December 2023G.

Prepaid rent

Prepaid rent amounted to SAR 22 million as at 31 December 2023G and decreased from SAR 30 million at 31 December 2021G to SAR 20 million at 31 December 2022G mainly due to payments related to leased premises in Panda. Prepaid rent remained relatively stable between 31 December 2022G and 31 December 2023G.

Change in fair value of hedged item - firm commitments

Change in fair value of hedged item - firm commitments amounted to SAR 111 million at 31 December 2023G represents the mark to market of firm commitments with customers and suppliers against sale and purchase of physical (raw and white sugar). The change in fair value of hedged items remained stable between 31 December 2021G and 31 December 2022G but increased to SAR 111 million at 31 December 2023G due to both forwards and purchase commitments in 2023G compared to 2022G to secure sufficient risk mitigation in response to volatility of sugar commodity prices.

Refundable deposits

Refundable deposits amounted to SAR 16 million as at 31 December 2023G and mainly includes deposits for rented warehouses and employee buildings. Refundable deposits remained stable at SAR 6 million between 31 December 2021G and 31 December 2022G. Refundable deposits increased from SAR 6 million at 31 December 2022G to SAR 16 million at 31 December 2023G, mainly stemming from SFC whereby deposits increased by SAR 5 million in connection with deposits for warehouse and new employee buildings.

Others

Others amounted to SAR 135 million as at 31 December 2023G and mainly includes Munchbox related convertible financing, support advances to investee companies, refundable deposits for utilities, and accrued income. Others increased from SAR 104 million at 31 December 2021G to SAR 117 million at 31 December 2022G mainly due to additional payments made to Munchbox for a convertible loan. Others increased from SAR 117 million at 31 December 2022G to SAR 135 million at 31 December 2023G due to the insurance claim receivable amounting to SAR 34 million, in relation to the missile attack in Savola Sudan premises.

7.7.2.2.4 Cash and Bank Balances and term deposit

Table (7.26): Cash and bank balances and term deposit for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited.)*	2022G (Audited)	2023G (Audited)
Cash in hand	33	24	44
Cash at bank - current account	748	766	744
Cash and bank balances	**781**	**791**	**787**
Deposits with maturity of more than three months	587	-	-
Deposits with maturity less than three months**	7	22	426
Cash and cash equivalents presented in statement of financial position	**1,375**	**812**	**1,213**
Bank overdrafts	(269)	(212)	(81)

SAR in millions	At 31 December		
	2021G (Audited.)*	2022G (Audited)	2023G (Audited)
Deposits with maturity of more than three months	(587)	-	-
Cash and cash equivalents for cash flow purposes	**519**	**601**	**1,132**
Term deposit*	**-**	**623**	**738**

Source: Consolidated financial statements for the financial years ended 2022G and 2023G.

* Term deposit was classified under cash and cash equivalent at 31 December 2021G, and it was classified separately on the face of the balance sheet on 31 December 2022G and 31 December 2023G.

** Presented in the table above Management information for the deposits with maturity less than three months at 31 December 2021G in order to align with the new audited presentation at 31 December 2022G and 31 December 2023G.

Cash in hand

Cash in hand primarily relates to physical cash kept readily available at (i) the checkout counters in Panda stores and Herfy stores, (ii) and other petty cash balances found in designated locations within SFC premises.

Cash at bank- current account

Cash at bank- current account are non-interest-bearing deposits accounts which are readily available to be used on a day-to-day basis (deposits, withdrawals, and payments), and for other working capital cycle use.

Term deposits

Term deposits are mainly denominated in foreign currencies namely in Egyptian Pounds and other currencies. Nominal interest rate ranged between 15-27%. Deposits with maturity less than 3 months amounted to SAR 426 million at 31 December 2023G and mainly related to deposits made in banks located in Egypt.

Term deposit was classified under cash and cash equivalent at 31 December 2021G, and it was classified separately on the face of the balance sheet on 31 December 2022G and 31 December 2023G.

7.7.2.3 Non-Current Liabilities

Table (7.27): non-current liabilities for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Loans and borrowings	5,137	4,082	4,700
Lease liabilities	3,289	3,156	3,093
Employee benefits	857	844	843
Long-term payables	257	258	224
Derivative	164	-	-
Provision against asset restoration	148	151	154
Deferred tax liability	144	111	86
Non-current liabilities	**9,996**	**8,603**	**9,099**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

7.7.2.3.1 Loans and Borrowings (Current and Non-Current)

Table (7.28): Loans and borrowings for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Non-current liabilities			
Secured bank loans	70	15	-
Unsecured bond issues (Sukuk)	1,000	1,000	1,000
Unsecured bank loans	4,067	3,067	3,700
Total non-current liabilities	**5,137**	**4,082**	**4,700**
Current liabilities			
Current portion of secured bank loans	54	30	12
Current portion of unsecured bank loans	478	416	376
Secured bank loans	158	142	43
Unsecured bank loans	2,366	3,263	3,376
Bank overdrafts	269	212	81
Total current liabilities	**3,325**	**4,062**	**3,888**
Total	**8,461**	**8,145**	**8,588**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Loans and borrowings reached SAR 8,588 million at 31 December 2023G and mainly comprises of unsecured bank loans (both short and long-term contributing to c.87% of total) followed by unsecured bond issues (c.12%). Sharia-compliant financing facilities amounting to SAR 8,167 million at 31 December 2023G.

The loans and borrowings are pledged through property, plant and equipment of subsidiaries of the Group, Inventories of subsidiaries of the Group and corporate guarantees by Savola Company on behalf of the subsidiaries. The amounts pledged as collateral are as follows:

- Property, plant and equipment from certain overseas subsidiaries amounting to SAR 128 million were pledged as collateral for borrowings from commercial banks.
- Inventory amounting to SAR 24 million have been pledged with foreign banks for the borrowings of certain overseas subsidiaries.

Certain loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained (the Group did not breach any covenants at 31 December 2023G). The covenants mainly require timely submission of audited financial statements and other financial reports in addition to a financial covenant (whereby total subsidiaries borrowing cannot exceed 75% of Group borrowings), Lastly, the Group has unused bank financing facilities amounting to SAR 5,993 million at 31 December 2023G (split between SAR 5,181 million short-term facility and SAR 813 million long-term facility), to manage short-term and long-term liquidity requirements.

Loans and borrowings recorded in the group's consolidated financial statements and covered by the company's guarantee amounted to SAR 2,814 million at 31 December 2023G.

Secured bank loans (long-term)

Secured bank loans (long-term) amounted to SAR 12 million at 31 December 2023G. Secured bank loans (long-term) mainly comprised loans obtained from banks in Egypt carrying interest rates at 10% secured by corporate guarantees and one of the loans was fully settled during the financial year ending 31 December 2022G for an amount of SAR 7 million. Secured bank loans decreased from SAR 124 million at 31 December 2021G to SAR 45 million at 31 December 2023G and further to SAR 12 million at 31 December 2023G due to the contractual repayments made during the same year.

Unsecured bond issues (Sukuk)

Unsecured bond issues (Sukuk) amounted to SAR 1,000 million at 31 December 2023G. During 2019G, the Group completed the offering of its new Sukuk, under the new program, with a total value of SAR 1,000 million with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SAIBOR + 1.60% payable semi-annually. The Sukuk will mature on 9 July 2026G. The issuance included SAR 507 million of the previous Sukuk that have been redeemed and exchanged to new program.

Unsecured bank loans (long-term)

Unsecured bank loans (long-term) amounted to SAR 4,076 million at 31 December 2023G and comprised of long-term loans obtained from local banks in Saudi Arabia and Egypt. The loans obtained in Saudi Arabia are subject to interest based on SAIBOR + fixed margin whereby the loans obtained from Egypt are subject to an interest rate varying between 17-21%.

Unsecured bank loans (long-term) decreased from SAR 4,544 million at 31 December 2021G to SAR 3,483 million at 31 December 2022G due to the contractual repayments made during 2022G.

Unsecured bank loans (long-term) decreased from SAR3,483 million at 31 December 2022G to SAR 4,076 million at 31 December 2023G due to the proceeds received from the new loan secured from a local bank in Saudi Arabia amounting to SAR 1,000 million during 2023G and which is payable in March 2024G.

Secured bank loans (short-term)

Secured bank loans (short-term) amounted to SAR 43 million at 31 December 2023G and included bank loans with a tenor less than one year.

Secured bank loans (short-term) decreased from SAR 158 million at 31 December 2021G to SAR 142 million at 31 December 2022G and further to SAR 43 million at 31 December 2023G due to the contractual repayments made during the same year.

Unsecured bank loans (short-term)

Unsecured bank loans (short-term) amounted to SAR 3,376 million at 31 December 2023G and included bank loans with a tenor less than one year.

Unsecured bank loans (short-term) increased from SAR 2,366 million at 31 December 2021G to SAR 3,263 million at 31 December 2022G mainly due to new loans obtain in (i) Savola Company from local banks in Saudi Arabia amounting to SAR 650 million during the month of 31 December 2022G and payable within 30 days, and (ii) Panda (from local banks in Saudi Arabia amounting to SAR 330 million and payable within 1 month with potential of roll over). The new loans obtained under Panda are used to finance working capital.

Unsecured bank loans (short-term) increased from SAR 3,263 million at 31 December 2022G to SAR 3,376 million at 31 December 2023G in line with the increase in loans related to Savola Company from SAR 650 million to SAR 880 million during 2023G. The purpose of the short-term loans under Savola Company is mainly to finance the subsidiary working capital requirement noting that it undertakes the role of a centralized treasury for the Group.

Bank overdrafts

Bank overdrafts amounted to SAR 81 million at 31 December 2023G and mainly consist of a financial arrangement provided by a bank to its customers, allowing them to withdraw or access funds exceeding the available balance in their bank account. Bank overdrafts are obtained from certain banks located in United Arab Emirates at market interest rates. The balance decreased from SAR 269 million at 31 December 2021G to SAR 212 million at 31 December 2022G and further to SAR 81 million at 31 December 2023G due to the contractual repayments made during 2023G.

Table (7.29): Short-term and long-term loans and borrowings for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Long-term loans and borrowings	5,669	4,528	5,088
Short-term loans and borrowings	2,792	3,617	3,500
Total	**8,461**	**8,145**	**8,588**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Long-term loans

Long-term loans amounted to SAR 5,088 million at 31 December 2023G and were comprised of secured and unsecured bank loans (including current portion of each), in addition to unsecured bond issues (Sukuk).

Long-term loans decreased from SAR 5,669 million at 31 December 2021G to SAR 4,528 million at 31 December 2022G is due to repayments of SAR 1,907 million and FX impact of SAR 47 million, partially offset by proceeds of SAR 813 million.

Long-term loans increased from SAR 4,528 million at 31 December 2022G to SAR 5,088 million at 31 December 2023G due to proceeds amounting to SAR 1,154 million, partially offset by repayments of SAR 582 million and FX impact of SAR 12 million.

Short-term loans

Short-term loans amounted to SAR 3,500 million at 31 December 2023G and were primarily comprised of secured and unsecured bank loans in addition to bank overdrafts.

Short-term loans increased from SAR 2,792 million at 31 December 2021G to SAR 3,617 million at 31 December 2022G mainly due to an increase in unsecured loans, partially offset by a decrease in bank overdrafts.

Short-term loans decreased from SAR 3,617 million at 31 December 2022G to SAR 3,500 million at 31 December 2023G mainly due to a decrease in secured loans and bank overdrafts, partially offset by an additional increase in unsecured loans.

Table (7.30): Long-term loans of the Group and its subsidiaries, and their payment status as of 31 December 2023

No.	Borrowing company	Lender	Loan period	Date issued	Original Amount (SAR in millions)	Paid in 2023G (SAR in millions)	Balance 2023G (SAR in millions)
1.	Savola Group Co.	Bank Al Jazira	7 years	Nov-18	300	50	100
		Bank Al Jazira	7 years	Dec-19	500	-	500
		Bank Al Jazira	7 years	Dec-21	75	-	75
		Bank Al Jazira	7 years	Feb-22	200	-	200
		Saudi Awwal Bank	5 years	Sep-18	750	188	-
		Saudi Awwal Bank	7 years	Feb-19	800	132	297
		Saudi Awwal Bank	7 years	Feb-22	100	-	100
		Al Rajhi Bank	7 years	Dec-21	125	-	125
		Saudi Fransi Bank	7 years	Dec-21	200	-	200
		Saudi Fransi Bank	7 years	Feb-22	300	-	300
		Riyad Bank	5 years	Feb-22	150	20	130
		Saudi National Bank	5 years	Sep-23	1,000	-	1,000
		Sukuk	7 years	Jul-19	1,000	-	1,000
SAVOLA GROUP							**4,027**
2.	Afia Intl. Co. - Egypt *	National Bank of Kuwait	5 years	Jan-19	16	5	1
AFIA INTERNATIONAL CO.							**1**
3.	Savola Foods Co.	Al Rajhi Bank	7 years	Dec-21	175	135	40
		Bank Al Jazira	7 years	Dec-21	300	-	300
		Saudi Fransi Bank	7 years	Nov-21	300	-	300
		Saudi Awwal Bank	7 years	Dec-21	200	-	200
SAVOLA FOODS CO.							**840**
4.	El Maleka for Food Industries Co.*	National Bank of Kuwait	5.3 years	Dec-18	28	3	2
EL MALEKA FOR FOOD INDUSTRIES CO.							**2**
5.	Alexandria Sugar Co.*	Commercial International Bank	13 Years	Mar-10	530	24	12
	United Sugar Co.	Saudi Industrial Development Fund	2 Years	Dec-23	150	-	150
SAVOLA INDUSTRIAL INVESTMENT CO.							**162**
6.	Savola Snacks*	National Bank of Kuwait	7 Years	May-22	84	-	55
SAVOLA SNACKS							**55**
7.	Herfy Food Services Co.	Al Rajhi Bank	4-6 years	2014-2017	500	16	-
HERFY FOOD SERVICES CO.							**-**
TOTAL LONG TERM LOANS							**5,088**

Source: Consolidated management information for the financial years ended 31 December 2023G.

* December 2023G loan value changed due to currency effect

Table (7.31): Short-term loans of the Group and its subsidiaries, and their payment status as of 31 December 2023

No	Borrowing company	Lender	Loan period	Date issued	Balance 2023G (SAR in millions)
1.	Savola Group Co.	Arab National Bank	1 Month	Dec-23	350
		Saudi National Bank	1 Month	Dec-23	530
	SAVOLA GROUP				**880**
2.	Panda Retail Co.	Arab National Bank	1 Month	Dec-23	100
	PANDA RETAIL COMPANY				**100**
3.	Afia International Co.	Arab National Bank	1 Month	Dec-23	275
		Saudi National Bank	1 Month	Dec-23	425
		Gulf International Bank	1 Month	Dec-23	320
4.	Afia International Co. - Egypt	Hongkong and Shanghai Banking Corp.	1 Month	Dec-23	38
		First Abu Dhabi Bank	1 Month	Dec-23	106
		Commercial International Bank	1 Month	Dec-23	3
		National Bank of Kuwait	1 Month	Dec-23	18
		QNB	1 Month	Dec-23	24
		Emirates NBD	1 Month	Dec-23	24
		Mashreq Bank	1 Month	Dec-23	6
		National Bank of Kuwait	1 Month	Dec-23	7
5.	Behshahr Industrial Co.	Tejarat Bank	6 Month	Jul-23	10
		Bank Mellat	6 Month	Sep-23	26
		khavarmianeh	3 Month	Nov-23	15
		Karafarin Bank	3 Month	Oct-23	9
		Karafarin Bank	3 Month	Nov-23	20
		Saman Bank	6 Month	Jul-23	3
		Saman Bank	6 Month	Sep-23	14
		Saman Bank	6 Month	Sep-23	14
		Saman Bank	6 Month	Sep-23	14
		Saman Bank	6 Month	Jul-23	3
		Saman Bank	6 Month	Sep-23	10
		Bank Passargad	6 Month	Sep-23	12
		Parsian Bank	12 Month	Aug-23	36
		Bank Keshavarzi	6 Month	Sep-23	5
		Bank Keshavarzi	6 Month	Jul-23	4
		Karafarin Bank	3 Month	Nov-23	14
		Saman Bank	6 Month	Sep-23	5
		Saman Bank	6 Month	Sep-23	13
		Saman Bank	6 Month	Sep-23	5
		Saman Bank	6 Month	Sep-23	10

No	Borrowing company	Lender	Loan period	Date issued	Balance 2023G (SAR in millions)
6.	Savola Gida Sanayi ve Ticaret AS	Hongkong and Shanghai Banking Corp.	12 months	Mar-23	7
		Hongkong and Shanghai Banking Corp.	12 months	Sep-23	13
		Hongkong and Shanghai Banking Corp.	12 months	Sep-23	6
		Hongkong and Shanghai Banking Corp.	12 months	Jun-23	6
		Hongkong and Shanghai Banking Corp.	12 months	Jul-23	6
		Hongkong and Shanghai Banking Corp.	6 months	Sep-23	9
		Hongkong and Shanghai Banking Corp.	6 months	Dec-23	6
		Hongkong and Shanghai Banking Corp.	6 months	Sep-23	4
		Hongkong and Shanghai Banking Corp.	6 months	Dec-23	3
		Hongkong and Shanghai Banking Corp.	12 months	Jul-23	6
		European Bank for Reconstruction and Development	12 months	Jun-23	4
		European Bank for Reconstruction and Development	12 months	Jun-23	11
		European Bank for Reconstruction and Development	12 months	Jun-23	21
		QNB Finansbank	6 months	Aug-23	4
		QNB Finansbank	6 months	Aug-23	1
		QNB Finansbank	8 months	Aug-23	1
		QNB Finansbank	6 months	Aug-23	3
		QNB Finansbank	12 months	Apr-23	1
		QNB Finansbank	12 months	May-23	3
		Ziraat Bankasi	12 months	Apr-23	1
		Ziraat Bankasi	12 months	Sep-23	3
		Ziraat Bankasi	12 months	Sep-23	3
		Ziraat Bankasi	12 months	Aug-23	1
		Ziraat Bankasi	12 months	Jul-23	1
		Halkbank	12 months	Nov-23	0
		Halkbank	6 months	Jul-23	1
		Halkbank	6 months	Jul-23	0
		Halkbank	6 months	Jul-23	0
		Halkbank	6 months	Jul-23	0
		Halkbank	12 months	Feb-23	1
		Halkbank	12 months	Feb-23	0
		Halkbank	12 months	Sep-23	0
		Halkbank	12 months	Sep-23	1
		Turkiye Finans	5 months	Jul-23	8
		Turkiye Finans	3 months	Oct-23	6
		ISBANK	6 months	Oct-23	13
		DENIZBANK	6 months	Sep-23	6
		Hongkong and Shanghai Banking Corp.	6 months	Dec-23	9
	AFIA INTERNATIONAL CO.				**1,658**
7.	Savola Foods Co	Saudi Awwal Bank	1 Month	Dec-23	380
		Saudi Fransi Bank	1 Month	Dec-23	150
	SAVOLA FOODS Co.				**530**

No	Borrowing company	Lender	Loan period	Date issued	Balance 2023G (SAR in millions)
8.	Savola Edible Oil Ltd.- Sudan	United Capital Bank	12 months	Nov-23	1
		Bank of Khartoum	12 months	Oct-23	0
		Bank of Khartoum	12 months	Nov-23	4
		Bank of Khartoum	12 months	Jan-23	6
		Bank of Khartoum	12 months	Sep-23	2
		United Capital Bank	12 months	Sep-23	0
		National Bank of Egypt	12 months	Jan-23	0
		Alkhaleej Bank	12 months	Jan-23	7
		Omdurman National Bank	12 months	Mar-23	2
		Qatar National Bank	12 months	Mar-23	3
		Bank Of Khartoum	12 months	Dec-23	2
		Bank Of Khartoum	12 months	Dec-23	2
		National Bank of Egypt	12 months	Dec-23	0
		United Capital Bank	12 months	Oct-23	2
		United Capital Bank	12 months	Oct-23	2
		United Capital Bank	12 months	Dec-23	1
		Qatar National Bank	12 months	Dec-23	1
		Arab Sudanese Bank	12 months	Dec-23	0
9.	Afia International Co. - Algeria	Societe Generale Algerie	6 months	Dec-23	44
		Hongkong and Shanghai Banking Corp.	6 months	Dec-23	12
	SAVOLA FOODS EMERGING CO.				**92**
10.	El Maleka For food Industries Co.	Emirates NBD	6 Months	Dec-23	13
		National Bank of Kuwait	6 Months	Dec-23	45
		EBE Bank	6 Months	Dec-23	9
		Qatar National Bank	6 Months	Dec-23	13
	EL MALEKA FOR FOOD INDUSTRIES CO.				**80**
11.	United Sugar Co.	Saudi National Bank	1 Month	Dec-23	50
	Alexandria Sugar Co.	Attijari Wafa	6 Months	Oct-23	6
	SAVOLA INDUSTRIAL INVESTMENT CO.				**56**
12.	Seafood International Two FZCO	Arab Banking Corporation	12 months	Jun-23	57
		Hongkong and Shanghai Banking Corp.	12 months	Dec-23	21
	SEAFOOD INTERNATIONAL TWO FZCO				**78**
	Snacking and Ingredients Food Holding Co				**-**
13.	Sahar Enterprises LLC	National Bank of Fujairah	3-4 Months	Dec-23	7
		Habib Bank AG Zurich	3-4 Months	Dec-23	2
		First Abu Dhabi Bank	3-4 Months	Dec-23	2
		Hongkong and Shanghai Banking Corp.	3-4 Months	Dec-23	0
	GOOD FOOD CO.				**11**
14.	Herfy Food Services Co.	Saudi Awwal Bank	3 Months	Nov-23	15
	Herfy Food Services Co.				**15**
	TOTAL SHORT-TERM BORROWING				**3,500**

Source: Consolidated management information for the financial years ended 31 December 2023G.

* Reclassified from long-term loan

7.7.2.3.2 Lease Liabilities (Current and Non-Current)

Table (7.32): Lease liabilities for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Balance at beginning of year	4,366	3,857	3,723
Acquisition through Business Combination	32	-	-
Transfer to liabilities classified as held for sale	-	(2)	-
Addition during the year	185	349	367
Lease terminated / modified during the year	(297)	(44)	(76)
Interest expense for the year	223	254	197
Payments during the year	(649)	(677)	(679)
Currency translation	(3)	(15)	(10)
Balance at end of year	**3,857**	**3,723**	**3,523**
Lease liabilities – non-current portion	3,289	3,156	3,093
Lease liabilities - current portion	568	566	430

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

Lease liabilities decreased from SAR 3,857 million at 31 December 2021G to SAR 3,723 million at 31 December 2022G mainly following the repayment of SAR 677 million of leases partially offset by additional leases of SAR 349 million and interest expense of SAR 254 million.

Lease liabilities decreased from SAR 3,723 million at 31 December 2021G to SAR 3,523 million at 31 December 2023 mainly following the repayment of SAR 679 million of leases partially offset by additional leases of SAR 367 million and interest expense of SAR 197 million.

7.7.2.3.3 Employee Benefits

Table (7.33): Employee benefits for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Balance at beginning of year	804	857	844
Acquisition through Business Combination	10	-	-
Included in profit or loss			
Current service cost	96	102	100
Interest cost	19	27	39
Total	**116**	**128**	**139**
Included in other comprehensive income			

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Re-measurement (gain):			
Actuarial (gain) / loss arising from:			
Financial assumptions	12	(64)	(38)
Experience adjustment	13	24	(6)
Actuarial (gain) / loss	**25**	**(40)**	**(44)**
Effect of movement in exchange rates	(2)	(8)	(15)
Benefits paid	(95)	(93)	(82)
Balance at end of year	**857**	**844**	**843**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Employee benefits reached SAR 843 million at 31 December 2023G and is calculated in line with the corresponding labor laws and is adjusted under IAS-19 as defined benefit obligations. The Group appointed independent actuary, who undertakes certain assumptions for salary growth, turnover rate, expected retirement age, and discount rates, to conduct the calculation of the employee benefits.

Employee benefits decreased from SAR 857 million at 31 December 2021G to SAR 844 million at 31 December 2022G mainly due to an actuarial gain of SAR 40 million recognized in other comprehensive income, benefit paid to employees of SAR 93 million, partially offset by service costs and interest for the year of SAR 128 million.

Employee benefits further decreased from SAR 844 million at 31 December 2022G to SAR 843 million at 31 December 2023G mainly due to an actuarial gain of SAR 43 million recognized in other comprehensive income, benefit paid to employees of SAR 82 million, partially offset by service costs and interest for the year of SAR 139 million.

7.7.2.3.4 Deferred tax liability

Table (7.34): Deferred tax liability for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Property, plant and equipment	(98)	(62)	(53)
Provisions	(22)	(27)	(10)
Other items	(24)	(22)	(23)
Net tax liabilities	**(144)**	**(111)**	**(86)**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Deferred tax liability reached SAR 86 million at 31 December 2023G and is calculated in accordance with IAS-12.

Deferred tax liability decreased from SAR 144 million at 31 December 2021G to SAR 111 million at 31 December 2022G mainly due to the decline related to Egypt operations stemming from the devaluation of the Egyptian pound.

Deferred tax liability decreased from SAR 111 million at 31 December 2022G to SAR 86 million at 31 December 2023G mainly due to receipt of government subsidy in SFEM Algeria and significant devaluation of Egyptian currency during the period resulting in decline in liability.

7.7.2.4 Current Liabilities

Table (7.35): Current liabilities for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Loans and borrowings	3,325	4,062	3,888
Lease liabilities	568	566	430
Trade payables	2,908	3,893	3,508
Derivative	-	186	274
Accrued and other liabilities	2,657	2,771	3,230
Liabilities classified as held for sale	-	166	-
Current liabilities	**9,458**	**11,644**	**11,329**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

7.7.2.4.1 Trade Payables

Table (7.36): Trade payables for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Other parties	2,715	3,694	3,313
Related parties	193	199	195
Total	**2,908**	**3,893**	**3,508**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Trade payables reached SAR 3,508 million at 31 December 2023G and mainly consisted of:

a- Retail suppliers for supermarkets and hypermarket stores (Panda) amounting to SAR 2,081 million at 31 December 2023G. Payment terms with retail suppliers ranged between immediate and 120 days.

b- Food processing suppliers of SAR 1,317 million at 31 December 2023G and comprised balances due to various oil, sugar and other food suppliers.

Other parties' payables

Other parties' payables increased from SAR 2,715 million at 31 December 2021G to SAR 3,694 million at 31 December 2022G following the increase in Panda trade payables from SAR 1,805 million to SAR 2,142 million and SFC suppliers from SAR 1,065 million at 31 December 2021G to SAR 1,621 million at 31 December 2022G given the increase in inventory purchases towards year-end in anticipation for Ramadan Season which took place during the three month ending 31 March 2022G.

Other parties' payables decreased from SAR 3,694 million at 31 December 2022G to SAR 3,313 million at 31 December 2023G mainly driven by the drop in SFC payable balances from SAR 1,621 million at 31 December 2022G to SAR 1,317 million at 31 December 2023G following the drop in sugar suppliers' payable balances in connection with USC amounting to SAR 320 million driven by payments made towards year end given that some balances were reaching their credit maturities. This was coupled with the decline in trade payable balances pertaining to Panda amounting to SAR 61 million mainly driven by the implementation by the Government of Saudi Arabia of the e-invoicing which deceased discrepancies in suppliers' invoices.

Related parties' payables

Related parties' payables amounted to SAR 195 million at 31 December 2023G and include payables balance to Almarai amounting to SAR 123 million, Nestle Group amounting to SAR 30 million, and Mayar Food Company amounting to SAR 37 million, among others for mainly purchases of food products by Panda.

Due to related parties increased from SAR 193 million at 31 December 2021G to SAR 262 million at 31 December 2022G mainly due to the increase in balance due to USCE for margin calls / payments made on behalf of USCE by SFC. Due to related parties decreased to SAR 195 million at 31 December 2023G following settlement of USCE balance.

7.7.2.4.2 Accrued and Other Liabilities

Table (7.37): Accrued and other liabilities for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Accrued expenses	835	803	918
Marketing related accruals	404	440	404
Employee related accrual	333	342	394
Accrued zakat and tax	227	220	363
Negative fair value of derivatives	32	117	247
Accrued utilities, freight and other charges	127	119	111
Brokers liability against hedging instruments	-	2	60
Payable to government authorities	105	79	95
Payable to contractors	132	90	71
Provision against financial guarantee	19	19	19
Due to related parties	-	63	-
Accrued financial charges	31	86	57
Accrued rent	85	38	23
Advances from customers	62	78	129
Change in fair value of hedged item (firm commitments)	34	39	74
Unclaimed dividend	5	3	5
Other liabilities	226	234	261
Total	**2,657**	**2,771**	**3,230**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Accrued expenses

Accrued expenses amounted to SAR 918 million as at 31 December 2023G and comprises of deferred revenue, IT related expenses, provisions for contingencies, consignment vendors, loyalty and warranty provisions, accrued consultancy and advisory fees, etc. The decrease from SAR 835 million at 31 December 2021G to SAR 803 million at 31 December 2022G due to payments made for certain accruals during the year.

Accrued expenses increased from SAR 803 million at 31 December 2022G to SAR 918 million at 31 December 2023G mainly due to the additional provisions booked in connection with claims by local regulators in certain overseas territories to affect a new pricing mechanism for edible oil products by replacing subsidized rate mechanism amounting to SAR 45 million coupled with increase in IT consultancy by SAR 22 million, deferred revenue by SAR 15 million, and other general provisions related to consultancy, legal cases and others.

Marketing related accruals

Marketing expenses amounted to SAR 404 million as at 31 December 2023G pertains to product advertising, trade displays and other display materials, promotions, trademark accruals, market research, amongst others. Marketing accruals increased from SAR 404 million at 31 December 2021G to SAR 440 million at 31 December 2022G mainly stemming from the newly acquired subsidiary Bayara Holdings Limited and Iran marketing accruals in line with the increase in overall operations and revenue.

Marketing expenses decreased from SAR 440 million at 31 December 2022G to SAR 404 million at 31 December 2023G mainly as a result of management's decision to optimize the overall spending on marketing, coupled with decrease in accrued advertising in Panda.

Employee related accrual

Employee related accrual amounted to SAR 394 million as at 31 December 2023G and related to employee compensation that have been incurred but not yet paid. Employee related accruals increased from SAR 333 million at 31 December 2021G to SAR 342 million at 31 December 2022G mainly due to additional accrued bonus to be paid to employees. Employee related accruals increased from SAR 342 million at 31 December 2022G to SAR 394 million at 31 December 2023G due to accrued bonus to be paid to employees.

Accrued zakat and tax

Accrued zakat and tax amounted to SAR 362 million as at 31 December 2023G and pertained to accrued income tax of foreign subsidiaries and accrued zakat for entities that are located in Saudi Arabia. Accrued zakat and tax decreased from SAR 227 million at 31 December 2021G to SAR 220 million at 31 December 2022G mainly due to payments made during the year amounting to SAR 78 million, coupled with currency translation amounting to SAR 99 million and transfers made to liabilities held for sale (Savola Morocco) amounting to SAR 14 million. This was offset by income tax and charge amounting to SAR 184 million.

Accrued zakat and tax increased from SAR 220 million at 31 December 2022G to SAR 362 million at 31 December 2023G primarily due to zakat and income tax charges amounting to SAR 268 million, partly offset by payments and currency translation amounting to SAR 77 million and SAR 49 million respectively.

Negative fair value of derivatives

Negative fair value of derivatives amounted to SAR 247 million at as at 31 December 2023G and related to the fair value of hedged sugar futures contracts that were outstanding throughout the year. Negative fair value of derivatives increased from SAR 32 million at 31 December 2021G to SAR 117 million at 31 December 2022G and then SAR 247 million at 31 December 2023G mainly due to a combination of factors that include fluctuation in underlying commodity price since the time of entering the contract, volume, and time to contract expiry; among other factors

Accrued utilities, freight and other charges

Accrued utilities, freight and other charges amounted to SAR 111 million as at 31 December 2023G and decreased from SAR 127 million at 31 December 2021G to SAR 119 million at 31 December 2022G mainly due to a one-off reversal in Panda amounting to SAR 16 million in 2022G. Accrued utilities, freight and other charges decreased from SAR 119 million at 31 December 2022G to SAR 111 million at 31 December 2023G mainly due to the decrease in accrued utilities and freight charges incurred in Panda by SAR 9 million during the same period.

Payable to government authorities

Payable to government authorities amounted to SAR 95 million as at 31 December 2023G and comprised of payables related to VAT, custom duties, subsidies, and price differences on purchases related to government authorities.

Payable to government authorities decreased from SAR 105 million at 31 December 2021G to SAR 79 million at 31 December 2022G is mainly due to the decrease in VAT payable balance in Panda by SAR 24 million, which was a result of an increase in purchases made during the last quarter of the year, which led to a decrease in output tax and an increase in input tax.

Payables to government authorities increased from SAR 79 million at 31 December 2022G to SAR 95 million at 31 December 2023G primarily due to the increase in VAT payable.

Payable to contractors

Payable to contractors amounted to SAR 71 million as at 31 December 2023G and comprised of a payables balance for non-trade suppliers for purchases of packaging materials and consulting services for the purchase of property and equipment.

Payable to contractors decreased from SAR 132 million at 31 December 2021G to SAR 90 million at 31 December 2022G and then to SAR 71 million at 31 December 2023G, mainly due to receipt of invoices with a corresponding increase in trade payables.

Provision against financial guarantee

Provision of financial guarantee amounted to SAR 19 million as at 31 December 2023G. Savola Group Company had issued a corporate guarantee in favor of SIDF along with certain other entities, for the loan facility availed by Eastern Industrial Company ("EICO", "Joussour Holding Company's subsidiary"). In 2018G, the Group received a call notice from SIDF to settle its share of the guarantee due to default in repayment by EICO of SIDF loan, triggered from the adverse financial performance. Accordingly, the Group has recorded a provision amounting to SAR 101 million. Up to 31 December 2021G, the Group made a partial payment amounting to SAR 82 million against the guarantee. The remaining balance since 31 December 2021G amounts to SAR 19 million.

Accrued financial charges

Accrued financial charges amounted to SAR 57 million as at 31 December 2023G and mainly relate to finance costs incurred but not yet paid. The fluctuation of the balance is highly dependent on the principal amount, interest rates, value date of the total outstanding loan balance and repayment terms.

Accrued rent

Accrued rent amounted to SAR 23 million as at 31 December 2023G and represented rent payable on leases that are classified to be out-of-scope of IFRS-16, which includes variable rent, revenue-based rentals, and short-term leases. It also includes rent accrued from the termination of retail outlets.

Accrued rent decreased from SAR 85 million at 31 December 2021G to SAR 38 million at 31 December 2022G, mainly driven by a provision recorded for Panda in 2021G amounting to SAR 42 million at 31 December 2021G for non-operational leases which were adjusted upon certain store closures as at 31 December 2022G.

Accrued rent decreased from SAR 38 million at 31 December 2022G to SAR 23 million at 31 December 2023G mainly affected by the timing, renegotiation and number of variable rental leases (out-of-scope leases).

Advances from customers

Advances from customers amounted to SAR 129 million as at 31 December 2023G and mainly relate to sugar export sales in Egypt entities.

Advances from customers increased from SAR 62 million at 31 December 2021G to SAR 78 million at 31 December 2022G and then to SAR 129 million at 31 December 2023G, in line with the higher sales.

Change in fair value of hedged item (firm commitments)

Change in fair value of hedged item (firm commitments) amounted to SAR 74 million as at 31 December 2023G and increased from SAR 34 million at 31 December 2021G to SAR 39 million at 31 December 2022G and further to SAR 74 million at 31 December 2023G mainly due to higher levels of forward sales and purchase commitments followed by the increase in notional values in market-to-market from firm commitments.

Brokers liability against hedging instruments

Brokers liability against hedging instruments amounted to SAR 60 million at 31 December 2023G and included balance held with broker (cash balance) at year end (if hedging loss is higher at year-end, then the payable balance would be higher).

Unclaimed dividend

Unclaimed dividend amounted to SAR 5 million as at 31 December 2023G and remained stable across the historical period.

Other liabilities

Other liabilities amounted to SAR 261 million as at 31 December 2023G and includes notes payable, capital gains tax related provisions, zakat assessments / contingencies provisions, provisions against legal cases, and miscellaneous liabilities.

Other liabilities increased from SAR 226 million at 31 December 2021G to SAR 234 million at 31 December 2022G is mainly driven by CSR related liabilities and provision pertaining to certain Egypt related tax assessments, amongst others.

Other liabilities increased from SAR 234 million at 31 December 2022G to SAR 261 million at 31 December 2023G mainly due to the increase in notes payable in SFC by SAR 31 million.

7.7.2.5 Shareholders' Equity

Table (7.38): Statement of change in equity for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Share capital	5,340	5,340	5,340
Share premium	343	343	343
Shares held under employees' share-based payment plan	(30)	(52)	(121)
Statutory reserve	1,774	1,774	1,774
General reserve	4	4	4
Other reserves	(105)	(453)	(457)
Effect of transactions with non-controlling interests without change in control	(188)	(188)	(221)
Foreign currency translation reserve	(1,899)	(2,066)	(2,355)
Retained earnings	2,840	3,553	4,143
Equity attributable to owners of the Company	**8,079**	**8,255**	**8,451**
Non-controlling interests	1,013	1,062	1,083
Total equity	**9,092**	**9,317**	**9,535**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Shareholders' equity reached SAR 9,535 million at 31 December 2023G and mainly comprised of share capital of SAR 5,340 million (equivalent of 533.981 million fully paid shares of SAR 10 each), retained earnings of SAR 4,143 million, statutory reserve of SAR 1,774 million, and share premium of SAR 343 million, partially offset by foreign currency translation reserve of SAR 2,355 million, other negative reserves of SAR 457 million, negative effect of transactions with non-controlling interests without change in control of SAR 221 million, and shares held under employees' share based payment plan of SAR 121 million.

7.7.2.5.1 Share Capital

Share capital reached SAR 5,340 million at 31 December 2023G and remained stable over 2021G-2023G and featured no additional issue of shares for shareholders to purchase. Share capital consists of 533.981 million shares with each share amounting to SAR 10.

7.7.2.5.2 Share Premium

Share premium reached SAR 343 million at 31 December 2023G and represent the surplus amount to the price per share that is paid to the Group. Share premium remained stable over 2021G-2023G since there was also no issue of new shares.

7.7.2.5.3 Shares Held Under Employees' Share Based Payment Plan

Table (7.39): Share based payment for the years ended 31 December, 2021G, 2022G, and 2023G.

Grant date	Total number of shares granted	Service / Vesting period	Fair value per share on grant date
September 10,2023	700,176	3 years	SAR 34.8
September 10,2022	645,549	3 years	SAR 31.2
September 10,2021	403,647	3 years	SAR 39.3

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Shares held under employees' share based payment plan amounted to SAR 121 million at 31 December 2023G and mainly pertain to the plan the Group has made for senior executives and the right they would get to earn shares from the Group. Shares held under employees' share based payment plan is recorded as a deduction to equity and it increased from SAR 30 million at 31 December 2021G to SAR 52 million at 31 December 2022G and further increased to SAR 121 million at 31 December 2023G mainly due to the grant of new tranches, partly off-set by settlement of a tranche in 2023G.

7.7.2.5.4 Statutory Reserve

Statutory reserve remained stable at SAR 1,774 million over 2021G-2023G. Regulation for Companies in the Kingdom of Saudi Arabia was that a company was required to transfer at least 10% of its net income each year, after absorbing accumulated deficit, to a statutory reserve until such reserve equals 30% of its share capital. The regulation has changed effective 1 January 2023G, whereby it is not required to set aside a statutory reserve. The Company Bylaws have been amended accordingly. Therefore, the reserve can be utilized for the benefit of the Company or its shareholders, upon a recommendation by the Board of Directors to the Ordinary General Assembly as per the Company's amended Bylaws.

7.7.2.5.5 General Reserve

General reserve was stable at SAR 4 million over 2021G-2023G.

7.7.2.5.6 Other Reserves

Table (7.40): Other reserves for the years ended 31 December, 2021G, 2022G, and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Balance at beginning of year	(95)	(105)	(453)
Share in changes in other reserve of associates	(60)	(173)	12
Fair value adjustment from FVOCI investments	51	(143)	(6)
Fair value adjustment from derivative financial instruments relating to cash flow hedge	(7)	(3)	(15)
Charge for equity-settled employees' share-based payment plan	6	10	5
Transfer of fair value reserve of investments designated at FVOCI	-	(39)	-
Balance at end of year	**(105)**	**(453)**	**(457)**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Other reserves reached -SAR 457 million at 31 December 2023G and mainly consists of share of reserve of equity accounted investees, FVOCI investments, and cash flow hedge. Other reserves decreased from -SAR 105 million at 31 December 2021G to -SAR 453 million at 31 December 2022G mainly due to fair value adjustment from FVOCI investments amounting to -SAR 143 million, transfer of fair value of FVOCI investments amounting to -SAR 39 million and change in share of other reserve of associates amounting to -SAR 173 million. Other reserves remained fairly stable between 2022G-2023G.

7.7.2.5.7 Effect of transactions with non-controlling interests without change in control

The effect of transactions with non-controlling interests without change in control amounted to SAR 221 million at 31 December 2023G, and it represents changes in the Group's ownership interest in subsidiaries that does not result in a change in control.

Transactions with non-controlling interests without change in control remained stable between 31 December 2021G and 31 December 2022G as the Group did not change ownership interest in non-controlling entities.

Transactions in non-controlling interests without change in control decreased from -SAR 188 million at 31 December 2022G to -SAR 221 million at 31 December 2023G following the share purchase agreement that the Group has entered with Saudi Geant Company Limited to acquire Saudi Geant Company Limited's minority interest of 1.13% in Panda Retail Company in exchange for consideration amounting to SAR 60 million (of which SAR 33 million was classified as an acquisition without change in control and the remaining SAR 27 million was classified within non-controlling interest), resulting in increase in Group's ownership interest in Panda to 100%.

7.7.2.5.8 Foreign currency translation reserve

Foreign currency translation reserve amounted to -SAR 2,355 million at 31 December 2023G and mainly pertains to differences in foreign currencies arising from foreign operations of the Group.

The foreign currency translation reserve increased from -SAR 1,899 million at 31 December 2021G to -SAR 2,066 million at 31 December 2022G mainly due to devaluation of Egyptian pound.

Foreign currency translation reserve further increased to -SAR 2,355 million at 31 December 2023G mainly due to further devaluations in Egypt, Sudan, Turkey and Iran.

7.7.2.5.9 Retained Earnings

Retained earnings amounted to SAR 4,143 million at 31 December 2023G and primarily represents the cumulative net income earned by the Group since its inception, minus any dividends paid to shareholders.

Retained earnings increased from SAR 2,840 million at 31 December 2021G to SAR 3,553 million at 31 December 2022G due to (i) profits for the year amounting to SAR 743 million (ii) other comprehensive income for the year amounting to SAR 37 million, and (iii) transfer of fair value reserve for investments designated at FVTOCI from other reserves of SAR 39 million. This was partly offset by dividends paid of SAR 107 million.

Retained earnings further increased to SAR 4,143 million at 31 December 2023G due to profits for the year amounting to SAR 899 million and other comprehensive income of SAR 44 million. However, this was offset by dividends paid amounting to SAR 352 million in 2023G.

7.7.2.6 Contingencies and Commitments

Table (7.41): Contingencies and commitments for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Letters of credits	58	65	19
Bank guarantees	126	131	186
Commitments to buy raw sugar	405	175	704
Commitments to sell refined sugar	824	741	1,314
Capital commitments	51	38	209

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Contingent commitments and guarantees include (i) letters of credit mainly in relation to food and fixed assets procurement, (ii) bank guarantees which are customary in the normal course of businesses, (iii) commitments with suppliers to buy 326 thousand metric tons of sugar, (iv) commitments to sell 458 thousand metric tons worth of sugar, and (v) capital commitments mainly in relation to committed capex of the Group.

7.7.2.7 Related Parties

Information relating to any business or contract to which the Company is a party and in which a Board member, a senior executive or any person related to any of them is or was of interest, during 2023G:

Table (7.42): Transactions and contracts with a direct or indirect interest between the Company and Abdulkadir Al Muhaidib & Sons Co. and Al Muhaidib Group and their subsidiaries or any person related to any of them for the financial year ended 31 December 2023G.

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2023G	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ senior executive or any person related to any one of them
a. Savola and Al Muhaidib: **Business or contract in which Abdulkadir Al Muhaidib & Sons Co. and its subsidiaries or any person related to any of them has direct or indirect interest. The total amount of the transactions is SAR 455 million.**					
1.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Mayar Foods Co.	SAR 150 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.)	Annually	Mr. Sulaiman Abdulkadir Almuhaidib who is the chairman of Abdulkadir Al Muhaidib & Sons Co. Group as well as the Chairman of Savola, in addition to, Mr. Isam Majid Almuhaideb who is a Board member in Savola Group and in the Executive Management of Al Muhaidib Group.
2.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Del Monte Saudi Arabia	SAR 8 million			
3.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Nestle Group and its subsidiaries.	SAR 254 million			
4.	Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Manhal Water Factory Co. Ltd.	SAR 8 million			
5.	Leasing spaces to sell its products along with trading foods products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Almehbaj Alshamiyah Trading Co.	SAR 17 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.)		
6.	Scrap sales by Panda Retail Co. (a subsidiary of Savola) to Waste Collection & Recycling Company	SAR 3 million			
7.	Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Zohoor Alreef Co.	SAR 166 thousand			
8.	Leasing by Panda Retail Co. (a subsidiary of Savola) from Abdulkadir Al Muhaidib & Sons Co.	SAR 15 million			
Total		**SAR 455 million**			

Table (7.43): Transactions and contracts with a direct or indirect interest between the Company and Almarai Co. for the financial year ended 31 December 2023G.

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2023	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ senior executive or any person related to any one of them
b. Savola and Almarai Co: Business or contract in which Almarai Co. and its subsidiaries, or any person related to any of them, has a direct or indirect interest. The total amount of the transactions is SAR 952 million.					
1.	Purchasing consumer foods goods by Panda Retail Co. (a subsidiary of Savola) from Almarai Co. and its subsidiaries	SAR 798 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.	Annually	Both Mr. Sulaiman Abdulkadir Almuhaidib, Mr. Bader Abdullah Alissa are Board members in Almarai as well as Savola Group. In addition to Mr. Walid Fatani Group CEO who is a member of Almarai Board.
2.	Selling sugar by United Sugar Company (a subsidiary of Savola Foods Co.) to Almarai Co. and its subsidiaries	SAR 79 million			
3.	Selling specialty fats products by International Foods Industries Co. (a subsidiary of Savola Foods Co.) to Almarai Co. and its subsidiaries	SAR 75 million			
Total		**SAR 952 million**			

Table (7.44): Transactions and contracts with a direct or indirect interest between the Company and other companies for the financial year ended 31 December 2023G.

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2023	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ senior executive or any person related to any one of them
1.	Leasing of shop by Panda Retail Co. (a subsidiary of Savola) from Dur Hospitality Co.	SAR 6 million	In the ordinary course of business and general commercial terms worked without any preferential treatment including renewal, payment methods, maintenance, insurance, etc.	Annually	Mr. Badr Abdullah Alissa is a Board member and Mr. Fahad Abdullah Alkassim are both Board members in Taiba Investments Co. and Savola Group.

7.7.2.7.1 A description of any transaction between the Company and any related party:

The following transactions mainly represent sale and purchase of products and leases of stores in the normal course of business with associates and other entities related to subsidiaries. The terms of such transactions are mutually agreed between the parties, with the same conditions and with no preference over third parties:

No.	Related party	Relationship	Transaction	Duration	Value/Amount
1.	Khairat Al Sharq for General Trade and Manufacturing Foodstuff Company	Associate	Payments on behalf/ Loan written off	During 2023	SAR 28 million
2.	United Sugar Co. Egypt – SFC	Associate	Margin Call / payments on behalf	During 2023	SAR 46 million
			Compensation		SAR - 42 million
			Loan / Advance		SAR 148 million

7.7.2.7.2 Related Party Transactions which requiring disclosure according to the regulatory requirements:

Transactions and contracts taking place during 2023 in which a member of the Executive Management has a direct or indirect interest in it:

No.	The nature of the transaction or contract	The value amount of the transaction or contract for 2023	The conditions of the transaction or contract	The duration of the transaction or contract	Name of the Board member/ senior executive or any person related to any one of them
1.	Leasing of shops by Panda Retail Co. (a subsidiary of Savola) from Kinan International for Real Estate Development Co.	SAR 25 million	In the ordinary course of business and general commercial terms worked without any preferential treatment including renewal, payment methods, maintenance, insurance, etc.	Annually	Group CEO Mr. Waleed Fatani is a Board member in Kinan.

7.7.3 Cash Flow Statement

Table (7.45): Statement of cash flow for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	2021G (Audited)	2022G (Audited)	2023G (Audited)
Profit for the year	396	865	1,070
Adjustments for:			
Depreciation and amortization	1,066	1,063	1,123
Net finance cost	491	710	1,051
Share of results in investment in equity-accounted investees, net of zakat and tax	(557)	(661)	(719)
Share based payment expense	6	10	5
Impairment (reversal) / loss, net	422	(65)	(112)
(Loss) / gain on sale of property, plant and equipment and write-off of software	21	34	(18)
Gain on sale of assets and liabilities classified as held for sale	-	-	(19)
Provision for employee benefits	116	128	139
Gain on sale of investments	-	(42)	-
Zakat and income tax expense	129	168	229
Total adjustments	**2,090**	**2,212**	**2,750**
Changes in:			
Inventories	(628)	(1,333)	87
Trade receivables	(519)	(210)	(239)
Prepayments and other receivables	(250)	(215)	67
Trade payables	428	1,183	(175)
Accrued and other liabilities	268	(36)	134
Cash generated from operating activities	**1,389**	**1,602**	**2,624**
Finance cost paid	(351)	(401)	(745)
Zakat and income tax paid	(79)	(78)	(77)

SAR in millions	2021G (Audited)	2022G (Audited)	2023G (Audited)
Employee benefits paid	(95)	(93)	(82)
Net Cash generated from operating activities	**864**	**1,029**	**1,720**
Acquisition of property, plant and equipment	(361)	(823)	(890)
Acquisition of software	(118)	(40)	(20)
Acquisition of investment property	(4)	(1)	(5)
Proceeds from sale of property, plant and equipment	23	31	34
Capital distribution from equity accounted investee	148	-	-
Acquisition of investments	(38)	(28)	-
Acquisition of subsidiaries, net of cash acquired	(978)	-	-
Finance income from bank deposits	-	75	138
Proceeds from sale of investments	-	459	-
Net proceeds from sale of assets and liabilities classified as held for sale	-	-	41
Net change in FVTPL	(24)	(16)	21
Dividends received from equity accounted investments	352	357	367
Net changes in bank deposits with maturity more than three months	-	(104)	(181)
Net cash used in investing activities	**(1,000)**	**(91)**	**(496)**
Net change in loans and borrowings - current	748	-	-
Net change in loans and borrowings - non-current	695	-	-
Net change in short term loans and borrowings	-	1,282	131
Proceed from long term loans and borrowings	-	813	1,154
Repayments of long term loans and borrowings	-	(1,907)	(582)
Net changes in bank deposits with maturity more than three months	(115)	-	-
Payment of lease liabilities	(649)	(677)	(679)
Transaction with non-controlling interest without change in control	-	-	(60)
Dividends paid to the owners of the company	(402)	(108)	(385)
Dividend paid to non-controlling interests	(103)	(63)	(62)
Purchase of shares held under employees' share based Payment plan	(14)	(21)	(80)
Net cash generated / (used in) from financing activities	**160**	**(681)**	**(563)**
Net change in cash and cash equivalents	**24**	**257**	**661**
Effect of movement in exchange rates on cash and cash equivalents	(2)	(175)	(129)
Cash and cash equivalents at beginning of the year	496	519	601
Cash and cash equivalents at December 31	**519**	**601**	**1,132**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

7.7.3.1 Net cash flows generated from operating activities

Net cash generated from operating activities increased from SAR 864 million in 2021G to SAR 1,029 million in 2022G mainly due to an increase in profit for the year by SAR 469 million and an increase in change in trade payables by SAR 755 million, which is linked to higher inventory levels for Ramadan season, partially offset by the increase in cash outflows due to inventory balances by SAR 705 million.

Cash generated from operating activities further increased from SAR 1,029 million in 2022G to SAR 1,720 million in 2023G primarily due to a further increase in profit for the year and non-cash adjustments by SAR 539 million, a cash inflow from the decrease in change in inventory during the year by SAR 1,420 million given that the inventory remained stable over 2022G-2023G. The increase in cash generated from operating activities was partially offset by the cash outflow relating to the decrease in change in trade payables by SAR 1,359 million given that payables also remained stable over 2022G-2023G.

7.7.3.2 Net cash flows used in investing activities

Net cash used in investing activities decreased from SAR 1,000 million in 2021G to SAR 91 million in 2022G mainly due to the decrease in cash outflow for the acquisition of subsidiaries (Bayara was acquired in 2021G for SAR 975 million), decrease in cash outflows for the higher acquisition of software (mainly in Panda), and the increase in cash inflows stemming from the proceeds from the sale of investments by SAR 459 million, which pertains to the sale of KECD. The decrease in cash used in investing activities was partially offset by an increase in higher additions made to property, plant and equipment by SAR 462 million, mainly in construction work in progress and in Panda under the CXR program.

Cash used in investing activities increased from SAR 91 million in 2022G to SAR 496 million in 2023G primarily due to a decrease from the proceeds from the sale of KECD by SAR 459 million and an increase in higher acquisition of property, plant and equipment which mainly pertains to construction work in progress and mostly in Panda under the CXR program.

7.7.3.3 Net cash flows generated from / (used in) financing activities

Net cash generated / (used in) financing activities decreased from SAR 160 million cash generated from financing activities in 2021G to SAR 681 million cash used in financing activities in 2022G mainly due to the decrease in long term loans of Savola Company from SAR 4,511 million at 31 December 2021G to SAR 3,416 million at 31 December 2022G, partially offset by an increase in loans and borrowings by Panda form SAR 30 million at 31 December 2021G to SAR 330 million at 31 December 2022G and a decrease in dividends paid to shareholders of the Group, mainly stemming from a decrease in dividends declared from SAR 400 million in 2021G to SAR 107 million in 2022G.

Cash used in financing activities decreased to SAR 563 million in 2023G mainly due to increased cash inflows from non-current loans, which amounted to SAR 341 million in 2023G, which were used to finance the Group working capital and the decrease in repayment of long-term loans and borrowings by SAR 1,325 million. The decrease in cash used in financing activities was partially offset by the decrease in additional current loans and borrowings by the Group from SAR 1,282 million in 2022G to SAR 131 million in 2023G.

7.7.4 Results of operations from Savola Food Company

7.7.4.1 Statement of Profit or Loss and Other Comprehensive Income

Table (7.46): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	12,630	16,441	15,065	30.2%	(8.4%)	9.2%
Cost of revenues	(11,102)	(14,455)	(12,709)	30.2%	(12.1%)	7.0%
Gross profit	**1,528**	**1,986**	**2,356**	**30.0%**	**18.7%**	**24.2%**
Share of results of equity-accounted investees, net of tax	(32)	(21)	(38)	(34.3%)	79.5%	8.6%

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Selling and distribution expenses	(479)	(598)	(617)	24.8%	3.1%	13.4%
Administrative expenses	(348)	(396)	(453)	13.9%	14.2%	14.1%
Operating profit	**668**	**970**	**1,249**	**45.1%**	**28.7%**	**36.7%**
Gain on disposal of investment in subsidiary/ associate	-	-	19	NA	NA	NA
Finance income	86	75	131	(12.6%)	75.0%	23.7%
Finance cost	(225)	(366)	(663)	62.4%	81.3%	71.6%
Net finance cost	**(139)**	**(291)**	**(532)**	**108.5%**	**82.9%**	**95.3%**
Impairment in equity accounted investee	(44)	(15)	66	(65.9%)	(540.3%)	NA
Profit before zakat and income tax	**485**	**664**	**801**	**36.9%**	**20.6%**	**28.5%**
Zakat and income tax expense	(110)	(165)	(220)	49.9%	33.9%	41.6%
Net profit for the year	**375**	**500**	**581**	**33.1%**	**16.2%**	**24.4%**
Other Comprehensive Income / (Loss)						
Items that will not be reclassified to profit or loss						
Re-measurements of defined benefit liability	(3)	(13)	4	399.2%	(131.9%)	NA
Items that are or may be reclassified subsequently to profit or loss						
Foreign operations – foreign currency translation differences	90	(169)	(339)	(288.6%)	99.9%	NA
Equity-accounted investees – share of cash flow hedges	-	(4)	(10)	(1730.2%)	113.3%	NA
Cash flow hedges – effective portion of changes in fair value	(7)	(6)	(20)	(25.8%)	260.4%	63.5%
Employees' share based payment plan reserve	1	1	-	(2.7%)	(110.6%)	NA
Other comprehensive (loss)/income for the year	**81**	**(191)**	**(364)**	**(335.1%)**	**90.7%**	**NA**
Total comprehensive income for the year	**457**	**309**	**216**	**(32.4%)**	**(29.9%)**	**(31.2%)**
KPIs						
As a % of revenue						
Gross profit (1)	12.1%	12.1%	15.6%	(0.0)	3.5	3.5
Operating profit margin (2)	5.3%	5.9%	8.3%	0.6	2.4	3.0
Net profit margin (3)	3.0%	3.0%	3.9%	0.0	0.9	0.9

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) Gross profit margin is defined as gross profit divided by revenue, and is a percentage.

(2) Operating profit margin is defined as results from operating activities divided by revenue, and is a percentage.

(3) Net profit margin is defined as profit for the year divided by revenue, and is a percentage.

Revenue

Revenue over the period 2021G-2023G was mainly generated from the sale of oil products (contributing to c.68% over the period under review), sugar (c.22%) and other products (nuts, spices, pulses, bakery & tuna, contributing to c.10%).

Revenue increased by SAR 3,811 million (+30%) from SAR 12,630 million in 2021G to SAR 16,441 million in 2022G mainly driven by:

a- The increase in oil revenue amounting to SAR 2,918 million on the back of increase in underlying edible oil commodity prices resulting in an increase in the average selling price, coupled with

b- The increase in sugar revenue amounting to SAR 300 million primarily on the back of higher underlying international sugar commodity prices.

Revenue decreased by SAR 1,376 million from SAR 16,441 million in 2022G to SAR 15,065 million in 2023G mainly driven by:

a- The decrease in oil revenue by SAR 1,827 million over the same period primarily on the back of the lower crude edible oil commodity prices, foreign exchange devaluation in certain overseas markets, disposal of investment in Savola Morocco Company, temporary suspension of operations in Republic of Sudan because of the ongoing conflict.

b- The decline in SFC's consolidated revenue was despite an increase in the sugar segment's revenue by SAR 376 million primarily on the back of higher underlying international sugar commodity prices.

Cost of revenue

Cost of revenue mainly comprised of direct materials (averaged c.91% over 2021-2023G), employee costs (c.3%) manufacturing overheads (c.3%), and others (c.3%).

Cost of revenue increased from SAR 11,102 million in 2021G to SAR 14,455 million in 2022G in line with revenue growth over the same period (gross profit margins remained stable at c.12.1%), mainly driven by:

a- The increase in direct materials by SAR 3,281 million on the back of higher raw material prices, mostly pertaining to edible oil; and

b- The increase in employee costs by SAR 58 million, mainly due to compulsory salary rise in Iran as per local regulatory requirements and the full year effect of the consolidation of Bayara Holding (acquired in fourth quarter of 2021G)

Cost of revenue decreased from SAR 14,455 million in 2022G to SAR 12,709 million in 2023G mainly driven by:

a- The decrease in direct materials costs by SAR 1,654 million in line with the decline in underlying crude edible oil commodity prices and drop in volumes sold over the period;

b- The decrease in salaries and benefits by SAR 22 million predominantly driven by foreign exchange devaluation in certain overseas markets; and

c- The decrease in manufacturing overhead by SAR 35 million in line with disposal of investment in Savola Morocco Company, temporary suspension of operations in Sudan and foreign exchange devaluation in certain overseas markets.

Share of results of EAI, net of tax

Share of results of EAI, net of tax mainly pertained to the share of results of SFC's equity-accounted investees. The share of results of EAI, net of tax increased from a loss of SAR 32 million in 2021G to a loss of SAR 21 million in 2022G mainly resulting from the one-off effect of the impairment of United Edible Oils Holding in Iraq amounting to SAR 28 million, partially offset by losses incurred by United Sugar Company Egypt (USCE) amounting to SAR 17 million during 2021G.

The share of results decreased from a loss of SAR 21 million in 2022G to a loss of SAR 38 million in 2023G mainly driven by operational losses incurred by USCE.

Selling and distribution expenses

Selling and distribution expenses mainly comprised of employee costs (averaged c.41% over the period 2021-2023G period), advertisement expenses (c.24%), expected credit losses (c.4%), among others.

Selling and distribution expenses increased from SAR 479 million in 2021G to SAR 598 million in 2022G mainly driven by (i) increase in employee cost by SAR 57 million due to increase in head count, compulsory salary rise in Iran as per local regulatory requirements and the full year effect of the consolidation of Bayara Holding (acquired in fourth quarter of 2021G), and (ii) increase in advertisement expenses by SAR 48 million mainly due to the full year effect of the consolidation of Bayara Holding.

Selling and distribution expenses slightly increased from SAR 598 million in 2022G to SAR 617 million in 2023G mainly driven by the increase in expected credit losses by SAR 47 million, partially offset by the decrease in advertisement and marketing research expenses by SAR 33 million mainly stemming from lower advertising activities in Egypt and Iran upon currency devaluation and decrease in purchasing power.

Administrative expenses

Administrative expenses mainly comprised of employee costs (averaged c.55% over the period 2021-2023G), depreciation and amortization charges (c.10%), professional fees (c.10%), among others.

Administrative expenses increased from SAR 348 million in 2021G to SAR 396 million in 2022G mainly driven by the increase in employee costs by SAR 44 million on the back of the increase in headcount over the same period and the full year effect of the consolidation of Bayara Holding.

Administrative expenses increased from SAR 396 million in 2022G to SAR 453 million in 2023G mainly due to the continued increase in employee costs by SAR 21 million. The increase was also contributed by increase in Withholding tax, Municipal, licensing costs and certain provisions pertaining to Sudan operations.

The gain on disposal of investment

Gain on sale of held for sale assets / liabilities amounted to SAR 19 million in 2023G and related to a Share Purchase Agreement (SPA) dated 10 November 2022G to sell the Group's interest in Savola Morocco Company. During the year 2023G, all legal formalities for the sale of Savola Morocco Company were completed and the net consideration of SAR 41 million was received against net carrying amount and transaction charges of SAR 23 million, resulting in a gain on disposal amounting to SAR 19 million.

Net finance costs

Net finance costs mainly pertained to finance income (consisted of interest income in bank deposits, gain on re-measurement of futures contracts – unhedged, and positive fair value of options) and finance costs (mainly consisted of financial charges on borrowings, bank commissions, financial charges on lease liabilities, among others).

Net finance costs increased from SAR 139 million in 2021G to SAR 291 million in 2022G mainly driven by (i) the increase in financial charges on borrowings by SAR 104 million on the back of increased interest rates over the period in different geographic markets, (ii) losses related to revaluation of put option liability amounting to SAR 18 million, against a gain of SAR 20 million in 2021G, due to decrease in fair valuation of underlying asset (i.e. investment in USCE), (iii) increase related to higher losses on re-measurement of unhedged future contracts by SAR 18 million.

Net finance costs continued to increase from SAR 291 million in 2022G to SAR 532 million in 2023G mainly driven by (i) the increase in the financial charges on borrowings by SAR 125 million due to the increase in the interest rates in different geographic markets, (ii) increase in net foreign exchange loss by SAR 88 million mainly related to devaluation of Egyptian, Sudanese and Iranian currencies, (iii) increase in losses related to revaluation of put option liability due to decrease in underlying asset (i.e. investment in USCE) amounting to SAR 47 million, (iv) increase in loss on re-measurement of futures contracts – unhedged by SAR 39 million.

The above increase in finance cost is partly offset by the increase in finance income amounting to SAR 56 million due to (i) increase in overall deposits base by SAR 509 million as of 31 December 2023G as compared to 31 December 2022G and (ii) increase in fixed income interest rates in Egypt.

Impairment of equity-accounted investments

Impairment of equity-accounted investments in 2021G and 2022G was recorded amounting to SAR 44 million and SAR 15 million, respectively, primarily due to adjustments in the carrying value of USCE to reflect its fair value. However, 2023G witnessed a reversal in net impairment amounting to SAR 66 million, attributable to impairment reversal on ASCE property, plant and equipment amounting to SAR 160 million due to improvement in ASCE's results, partially offset by impairment loss in Bayara goodwill (SAR 75 million) and Sudan (SAR 18 million) and investment in USCE (SAR 1 million).

Zakat and income tax expense

Zakat and income tax expense increased from SAR 110 million in 2021G to SAR 165 million in 2022G mainly driven by higher profitability of foreign operations leading to higher corporate taxes locally and higher zakat on foreign income. Zakat and income tax expenses increased further to SAR 220 million in 2023G in line with higher profitability which led to higher taxable income in foreign operations over the period.

7.7.4.2 Balance Sheets

Table (7.47): Statement of financial position for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Assets			
Property, plant and equipment	2,191	2,079	1,945
Right-of-use assets	268	266	252
Goodwill and intangible assets	1,228	1,170	1,069
Equity-accounted investees	175	136	93
Investments at fair value through profit or loss	11	19	34
Non-trading derivative	2	-	-
Long term receivables	7	6	8
Deferred tax asset	29	33	51
Non-current assets	**3,910**	**3,710**	**3,452**
Inventories	2,184	2,919	2,412
Positive fair value of derivatives	117	73	300
Non- trading derivatives	-	-	-
Trade receivables	1,426	1,481	1,504
Prepayments and other current assets	901	970	932
Cash and cash equivalents	990	1,177	1,658
Assets classified as held for sale	-	187	-
Current assets	**5,618**	**6,807**	**6,806**
Total Assets	**9,528**	**10,516**	**10,257**
Equity			
Share capital	2,200	2,200	2,200
Statutory reserve	522	563	608
Effect of transactions with non-controlling interests without change in control	(360)	(360)	(360)
Employees' share based payment plan reserves	2	3	3
Cash flow hedge reserve	(2)	(9)	(31)

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Foreign currency translation reserve	(1,852)	(2,013)	(2,298)
Retained earnings	1,616	1,719	1,879
Equity attributable to owner of the Company	**2,125**	**2,102**	**2,000**
Non-controlling interests	**275**	**321**	**351**
Total equity	**2,400**	**2,424**	**2,352**
Liabilities			
Loans and borrowings	1,061	1,057	980
Lease liabilities	183	180	165
Employee benefits	227	244	256
Non-trading derivative	122	-	-
Deferred tax liability	144	111	86
Provision against asset restoration	76	79	82
Non-current liabilities	**1,813**	**1,671**	**1,569**
Loans and borrowings	2,648	2,663	2,575
Lease liabilities	35	28	33
Trade payables	1,065	1,621	1,317
Negative fair value of derivatives	32	117	247
Non-trading derivative	-	139	205
Accrued expenses and other current liabilities	1,535	1,688	1,961
Liabilities classified as held for sale	-	166	-
Current liabilities	**5,315**	**6,422**	**6,337**
Total liabilities	**7,128**	**8,093**	**7,906**
Total equity and liabilities	**9,528**	**10,516**	**10,257**
KPIs			
DSO (1)	38	35	39
DPO (2)	33	37	46
DIO (3)	15	13	17
CCC (4)	20	11	10
ROA (5)	3.9%	4.8%	5.7%
ROE (6)	15.6%	20.6%	24.7%
Debt to equity (7)	1.5	1.5	1.5

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) The receivables turnover rate (days) is calculated based average gross trade receivables over the group's total revenues during the year.

(2) The accounts payable turnover rate (days) is calculated based on the average trade payables over the cost of material consumed during the year.

(3) Inventory turnover (days) is calculated based on the average finished goods over the cost of goods sold during the year.

(4) Cash turnover rate (days) is calculated based on the aggregate of the accounts receivable turnover rate (days) and inventory turnover rate (days) less the accounts payable turnover rate (days).

(5) Return on assets is calculated as follows: net profit for the year / total assets at the end of the year.

(6) Return on equity is calculated as follows: Net profit for the year / total equity at the end of the year.

(7) Debt to equity is calculated as follows: Loans and borrowings / total equity at the end of the year.

Property, plant and equipment

Property, plant and equipment net book value of SFC amounted to SAR 1,945 million at 31 December 2023G and was mainly comprised of:

1- buildings (representing c.16% of total net book value) and comprised civil works, installations, repairs, fit outs and other developer work executed on the SFC's buildings (packaging plant buildings, warehouses, and workshops);
2- plant and equipment (c.63%) and consisted of piping network (filling, packing lines), flow meters, gauges valves, civil and steel structure, electrical work (generators, cables, cable trays, cable glands), refinery process machineries, storage tanks, mechanical modification work and others;
3- land (c.5%) included lands used for head offices and production facilities; buildings, warehouses; and
4- construction work in progress (c.13%) related to upgrading and enhancing the production and logistic facilities of certain subsidiaries.

Property, plant and equipment slightly decreased from SAR 2,191 million at 31 December 2021G to SAR 2,079 million at 31 December 2022G driven by (i) depreciation charged during the year amounting to SAR 215 million, (ii) negative FX impact (mainly due to significant devaluation in Egyptian pound) amounting to SAR 259 million, (iii) IFRS-5 adjustment (Savola Morocco) of SAR 35 million, and (iv) net disposals amounting to SAR 8 million. The decrease was partly offset by additions amounting to SAR 300 million, including construction work in progress amounting to SAR 256 million, mainly in connection with upgrading and enhancing production facilities; and hyperinflation positive adjustment of SAR 111 million in connection with the property, plant and equipment in Iran, Turkey and Sudan.

Net book value of property plant and equipment decreased from SAR 2,079 million at 31 December 2022G to SAR 1,945 million at 31 December 2023G driven by depreciation charged during the year amounting to SAR 206 million, coupled with a hyperinflation adjustment amounting to SAR 124 million and effect of movement in exchange rate by SAR 104 million. However, this was partly offset by (i) additions amounting to SAR 160 million, including construction work in progress of SAR 129 million, mainly in connection with upgrading and enhancing production facilities, robotic automation additions, hand-held devices, ventilation works and others, and (ii) impairment reversal of SAR 160 million given the improved financial performance of Alexandria Sugar Company during 2023G.

Right-of-use assets

Right-of-use of assets amounted to SAR 252 million at 31 December 2023G mainly comprised (i) leased lands amounting to SAR 168 million, comprising mainly a port in Jeddah,, which is utilized as a production facility for Sugar (lease expires in 2034G), (ii) leased buildings amounting to SAR 61 million mainly relating to warehouses used to stock sugar and oil products, (iii) vehicles amounting to SAR 18 million, and (iv) plant and equipment amounting to SAR 5 million mainly related to fork lifters used in the logistical facilities of SFC.

Right of use assets decreased from SAR 268 million at 31 December 2021G to SAR 266 million at 31 December 2022G driven by depreciation charges amounting to SAR 40 million and effect of movement in FX amounting to SAR 13 million during the same year. However, this was partially offset by (i) additions amounting to SAR 52 million, which mainly related to land amounting to SAR 31 million pertaining to agricultural cultivation of Alexandria United Company for Land Reclamation whereby a lease contract is signed with the lessor up till 2041G (prior to 2022G this was treated as short term lease contract outside the scope of IFRS16, to conduct beet cultivation activities), buildings amounting to SAR 12 million, and vehicles amounting to SAR 9 million, and (ii) land transferred from property, plant and equipment amounting to SAR 5 million.

Right of use assets decreased from SAR 266 million at 31 December 2022G to SAR 252 million at 31 December 2023G following periodic depreciation amounting to SAR 41 million coupled with lease terminations amounting to SAR 14 million mainly related to leased buildings and vehicles. This was partly offset by additions amounting to SAR 45 million mainly related to a warehouse in Riyadh, forklift vehicles and others.

Goodwill and intangible assets

Goodwill and intangible assets reached to SAR 1,069 million at 31 December 2023G and mainly comprised goodwill arising from historical acquisitions (c.71%), brands and customer relationships (c.28%), and software (c.1%).

Goodwill and intangible assets decreased from SAR 1,228 million at 31 December 2021G to SAR 1,170 million at 31 December 2022G driven by the negative FX impact amounting to SAR 45 million following the devaluation of Egyptian pound, coupled with amortization charges related to computer software amounting to SAR 5 million during the same period. This was partly offset by the increase in goodwill arising from the investment in Bayara Holding Limited given the adjustment of SAR 54 million made on the provisional price allocation.

Goodwill and intangible assets decreased to SAR 1,069 million at 31 December 2023G due to the impairment charge amounting to SAR 75 million related to Bayara FZE Limited given the Group's review of the carrying amount of goodwill to determine whether the carrying value exceeds the recoverable amounts. This was coupled with a net currency translation loss for entities located in Egypt and Turkey that amounted to SAR 16 million during the same year.

Equity-accounted investees

Equity-accounted investees amounted to SAR 93 million at 31 December 2023G and solely related to the investment in United Sugar Company Egypt (USCE) through an ownership interest of 31.15%.

Equity accounted investees decreased from SAR 175 million at 31 December 2021G to SAR 136 million at 31 December 2022G driven by the share of losses incurred amounting to SAR 21 million coupled with an impairment charge of SAR 15 million amongst other adjustments amounting to SAR 6 million. It is worth noting that at 31 December 2021G, equity accounted investees included an investment in Khairat Al Sharq General Trading and Foodstuff Industry Company Limited (KASCO) amounting to SAR 3 million which was reclassed to liabilities at 31 December 2022G as the losses generated has exceeded its cost of investment during the same year.

Equity accounted investees decreased to SAR 93 million at 31 December 2023G given the share of losses incurred in USCE amounting to SAR 31 million coupled with impairment losses amounting to SAR 1 million and other negative adjustments amounting to SAR 10 million related to movements in cashflow hedge reserves.

Investments at fair value through profit or loss

Investment at fair value through profit and loss (FVTPL) mainly relates to Employees' share based payment plan. The plan entitles certain eligible senior executives of SFC a conditional right to receive a number of restricted share units (each unit equal to the value of one share of Savola Group at the grant date), following the satisfaction of service condition. Savola Group is the settling entity i.e. providing its own shares to SFC employees.

Shared based payments are split between (i) Equity-settled share-based payment plan whereby SGC (the Group) is the settling entity i.e. providing its own shares to the employees of SFC. This transaction is a group shared based payment under the scope of IFRS-2 and accounted for as "**equity-settled share-based payment**" by the SFC and (ii) Cash-settled share-based payment plan where SFC is the settling entity i.e. providing shares of the SGC (the Group) to the employees of SFC, as the receiving entity, has an obligation to settle in cash or other assets because the equity instruments are not SFC's equity instruments. SFC classifies this transaction as "**cash-settled share-based payment**" under the scope of IFRS-2.

Investment at fair value through profit and loss increased from SAR 11 million at 31 December 2021G to SAR 19 million at 31 December 2022G and further to SAR 34 million at 31 December 2023G following the acquisitions of Savola Group shares, coupled with the quoted price movement of the said shares.

Derivative

Non- trading derivatives amounted to SAR 2 million at 31 December 2021G and related to the call option available to purchase of USCE. Given that it expired it is nil at 31 December 2023G.

Long term receivables

Long term receivables amounted to SAR 8 million at 31 December 2023G and mainly consisted long term deposit for utilities (gas, electricity, etc.). The balance remained relatively stable across the review period.

Deferred tax asset

Deferred tax assets are recorded on all temporary differences between the tax bases of assets and their carrying amounts at year end. Deferred tax assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries.

Deferred tax assets increased from SAR 29 million at 31 December 2021G to SAR 33 million at 31 December 2022G in line with the increase in the tax carry-forward balance relating to ASCE and SFEM Algeria which increased by SAR 5 million and SAR 3 million respectively, due to carry forward losses incurred during 2022G. The increase in deferred tax assets was partially offset due to the decrease related to KUGU Turkey amounting to SAR 2 million primarily from the devaluation of the Turkish Lira.

Deferred tax asset increased from SAR 33 million at 31 December 2022G to reach SAR 51 million at 31 December 2023G due to the increase in deferred tax asset in KUGU by SAR 11 million and AICE by SAR 6 million given the increase in provisions / losses during 2023G.

Inventories

Inventories amounted to SAR 2,412 million at 31 December 2023G and included:

a- Raw materials of SAR 1,093 million such as crude edible oil (sunflower, olive, palm oil and others), raw sugar, and other raw materials such as inventory chemicals, packaging materials and others,

b- Finished products amounting to SAR 628 million mainly included available for sale food products such as palm oil, sunflower oil, olive oil, sugar, pasta, amongst other products. The products are branded (Afia, Al Arabi, Al Rawaby, Al Shams, Al Osra and Bayara) and packaged in different bottle sizes and weights based on consumer preference.

c- Other inventory components such as goods in transit amounting to SAR 514 million, work in progress amounting to SAR 60 million, and spare parts and supplies that amounted to SAR 176 million.

Inventories increased from SAR 2,184 million at 31 December 2021G to SAR 2,919 million at 31 December 2022G driven by the increase in raw materials by SAR 551 million namely in Saudi Arabia and other territories given the increase in edible oil prices on the back of higher underlying commodity prices and higher purchases in anticipation of increased demand arising from the approaching Ramadan season. Additionally, goods in transit increased by SAR 107 million during the same period, affected by the time of shipment of goods.

Inventories decreased to SAR 2,412 million at 31 December 2023G following the decrease in raw materials by SAR 545 million driven by the decrease in edible oil prices on the back of lower underlying commodity prices coupled with the deterioration of the Egyptian Pound, Turkish Lira, Sudanese Pound and Iranian Rial thus decreasing the inventories carried in the respective countries. This was coupled with the decrease in raw materials located in Savola Sudan whereby total raw materials decreased from SAR 102 million at 31 December 2022G to SAR 20 million at 31 December 2023G following the temporary disruption of operations in Sudan during 2022G.

However, this was partially offset by the decrease in provision against inventories amounting to SAR 47 million and which mainly related to (i) reversal of provision in the oil stock in Saudi Arabia due to the liquidation of previously provisioned olive oil stock amounting to SAR 11 million in 2023G, (ii) the write-off related provision against spare parts amounting to SAR 17 million, and (iii) the write-off of provision against raw material amounting to SAR 11 million in Egypt and other territories.

Positive fair value derivatives amounted to SAR 300 million while **negative fair value derivatives** amounted to SAR 247 million at 31 December 2023G. They solely relate to futures contractual arrangements to either buy or sell a specified commodity (mainly sugar) at a specified price and date in the future. Futures are transacted in standardized amounts on regulated exchanges. The fluctuation of the balances across 2021G-2023G is due to a combination of factors that include fluctuation in underlying commodity price since the time of entering the contract, volume, and time to contract expiry, among other factors.

Trade receivables

Trade receivables amounted to SAR 1,504 million at 31 December 2023G mainly consisted of balances due from various local and foreign customers (industrial customers, food distributers, supermarkets, retailers and others), amounting to SAR 1,521 million at 31 December 2023G in connection with the sale of oil, sugar, pasta and other food products. Trade receivables also included balances due from related parties amounting to SAR 99 million and allowance for expected credit losses amounting to SAR 113 million at 31 December 2023G.

Trade receivables increased from SAR 1,426 million at 31 December 2021G to SAR 1,481 million at 31 December 2022G in line with the increase in revenues, partly offset by the decrease in trade receivable balances due to devaluation in certain overseas markets. In addition, the trade receivable balance related to Savola Morocco amounting to SAR 83 million was reclassified to assets classified as held for sale during the same period.

Trade receivables increased further from SAR 1,481 million at 31 December 2022G to SAR 1,504 million at 31 December 2023G mainly due to the increase in balances due from Afia Egypt and ASCE customers given the increase in oil and sugar revenues in Egypt. This was partly offset by the increase in allowance for ECL by SAR 19 million in line with the increase in aged receivables (more 180 days) during the same period.

Prepayments and other current assets

Prepayments and other current assets amounted to SAR 932 million at 31 December 2023G and comprised advances to vendors (c.31%), receivable from government authorities (c.16%) (mainly subsidy receivables in Algeria), due from related parties (c.17%), change in fair value of hedged item (c.12%), prepaid expenses and others.

Prepayments and other current assets increased from SAR 901 million at 31 December 2021G to SAR 970 million at 31 December 2022G mainly attributable to the increase in receivables from government authorities by SAR 68 million in line with the increase in subsidies receivable in Algeria. This was coupled with the increase in prepaid expenses by SAR 53 million following the adjusted cash balance with brokers in connection with hedging and other prepayments and current assets by SAR 38 million due to additional funds injected in food related investments (Munchbox, a food start up based out of United Arab Emirates) as a convertible loan coupled with the hyperinflation adjustment booked to align non-monetary assets with the current purchasing power. This was offset by the decrease in balances due from related parties by SAR 90 million, mainly from Savola Group Company by SAR 74 million in line with full settlement / adjustment of the balance during the same period due to central treasury function with Savola Group Company.

Prepayments and other current assets decreased from SAR 970 million at 31 December 2022G to SAR 932 million at 31 December 2023G following the decrease in receivable from government authorities, following net payments received from the Government of Algeria with regards to subsidies amounting to SAR 279 million.

The decrease was partly off-set by increase in: (i) related party balances by SAR 133 million namely from USCE by SAR 86 million mainly related to sugar-import shipment payments by United Sugar Company, on behalf of USCE, and (ii) change in fair value of hedged items – firm commitments by SAR 104 million due to both forwards and purchase commitments in 2023G compared to 2022G to secure sufficient risk mitigation in response to volatility of sugar commodity prices (the increase in FV is in line with the increase in average spread).

Cash and cash equivalents

Cash and cash equivalents amounted to SAR 1,658 million at 31 December 2023G and mainly included term deposits (c.69%), bank balances (c.30%) and cash in hand (c.1%). Short-term deposits are held with commercial banks and yield commission income at prevailing market rates.

Assets and liabilities held for sale

Assets and liabilities held for sale increased from nil at 31 December 2021G to SAR 187 million (assets) and SAR 166 million (liabilities) at 31 December 2022G and nil at 31 December 2023G, arising from the decision of SFC to divest its interest in Savola Morocco Company and United Edible Oils Holding Limited.

Share capital

Share capital reached SAR 2,200 million at 31 December 2023G and mainly include 220 million fully paid shares of SAR 10 each. Share capital remained stable between 31 December 2021G and 31 December 2023G.

Statutory reserve

Statutory reserve amounted to SAR 608 million at 31 December 2023G. In accordance with SFC's Bylaws, SFC transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the SFC. Statutory reserve increased year on year by 10% of net income for the year.

Effect of transactions with non-controlling interests without change in control

Effect of transactions with non-controlling interests without change in control amounted to SAR 360 million at 31 December 2023G.

Effect of transactions with non-controlling interests without change in control represents changes in the SFC's ownership interest in subsidiaries that does not result in a change in control. Transactions with non-controlling interests without change in control remained stable between 31 December 2021G and 31 December 2023G as SFC did not change ownership interest in non-controlling entities.

Employees' share based payment plan reserves

Employees' share based payment plan reserves amounted to SAR 3 million at 31 December 2023G and mainly consists of the reserve for the long-term incentive program for the benefit of certain eligible senior executives of SFC. SFC's employees' share based payment plan reserves remained almost stable over the review period.

Cash flow hedge reserve

Cash flow hedge reserve amounted to SAR 31 million at 31 December 2023G represents the equity reserve used to record gains or losses from hedging instruments, such as derivatives. Cash flow hedge reserve increased from a deficit of SAR 2 million at 31 December 2021G to a deficit of SAR 9 million at 31 December 2022G and further to a deficit of SAR 31 million at 31 December 2023G due to other comprehensive losses recorded amounting to SAR 7 million and SAR 22 million in 2022G and 2023G, respectively.

Foreign currency translation reserve

Foreign currency translation reserve amounted to SAR 2,298 million and is used to capture the unrealized gains or losses arising from translating the financial statements of foreign subsidiaries (Egypt, Turkey, Sudan, Iran, etc.) into Saudi Arabian Riyal. Foreign currency translation reserve increased from a deficit of SAR 1,852 million at 31 December 2021G to SAR 2,013 million at 31 December 2022G and further to a deficit of SAR 2,298 million at 31 December 2023G in line with the devaluation of Egyptian Pound, Turkish Lira, Iranian Riyal and Sudanese Pound during the same period.

Retained earnings

Retained earnings amounted to SAR 1,879 million at 31 December 2023G. Retained earnings increased from SAR 1,616 million at 31 December 2021G to SAR 1,719 million at 31 December 2022G driven by profits by SAR 405 million partly offset by other comprehensive loss by SAR 11 million, dividends paid amounting to SAR 250 million, and transfers to statutory reserves amounting to SAR 40 million.

Retained earnings further increased to SAR 1,879 million at 31 December 2023G attributable to profits generated amounting to SAR 452 million, other comprehensive income amounting to SAR 4 million, partly offset by dividends paid amounting to SAR 250 million and transfers to statutory reserves amounting to SAR 45 million.

Non-controlling interests

Non-controlling interest amounted to SAR 351 million at 31 December 2023G and increased from SAR 275 million at 31 December 2021G to SAR 321 million at 31 December 2022G due to profits amounting to SAR 95 million, partly offset by other comprehensive loss of SAR 14 million and dividends paid amounting to SAR 35 million.

Non-controlling interest increased from SAR 321 million at 31 December 2022G to SAR 351 million at 31 December 2023G due to profits amounting to SAR 129 million, partly offset by other comprehensive loss of SAR 61 million and dividends paid amounting to SAR 38 million.

Lease liabilities

Lease liabilities amounted to SAR 198 million at 31 December 2023G. The balance decreased from SAR 217 million at 31 December 2021G to SAR 208 million at 31 December 2022G mainly driven by payments amounting to SAR 59 million, effect of movement in exchange rates amounting to SAR 15 million in connection with leases in AICE (Egypt), partly offset by lease additions amounting to SAR 56 million and interest expense of SAR 13 million. Lease liabilities decreased further to SAR 198 million at 31 December 2023G mainly driven by payments amounting to SAR 46 million, effect of movement in exchange rates of SAR 7 million in connection with leases in AICE (Egypt), and lease terminations amounting to SAR 14 million partly offset by lease additions amounting to SAR 45 million and interest expense of SAR 12 million.

Employee benefits

Employee benefits amounted to SAR 256 million at 31 December 2023G. SFC operates an approved unfunded employees' end of service benefits plan for its permanent employees as required by the Saudi Arabian Labor Law and in accordance with the local statutory requirements of the foreign subsidiaries. The employee end of service benefits is adjusted under IAS-19 as defined benefit obligations.

The balance increased from SAR 227 million at 31 December 2021G to SAR 244 million at 31 December 2022G mainly driven by current service cost and interest cost amounting to SAR 41 million, partly offset by payments amounting to SAR 28 million.

The balance further increased from SAR 244 million at 31 December 2022G to SAR 256 million at 31 December 2023G mainly driven by charges (interest and service cost) amounting to SAR 45 million, partly offset by payments amounting to SAR 15 million, effect of movement in exchange rate amounting to (-SAR 14 million) and actuarial loss of SAR 4 million.

Deferred tax liability

Deferred tax liability amounted to SAR 86 million at 31 December 2023G. Deferred tax liability is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax liabilities are measured at the tax rates that is expected to apply to the period when the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. The balance relates to operations in Algeria, Egypt, Turkey and Iran. Deferred tax liability decreased from SAR 144 million at 31 December 2021G to SAR 111 million at 31 December 2022G and further to SAR 86 million at 31 December 2023G mainly due to devaluation of Egyptian pound during the period and due to receipt of subsidy in Algeria during 2023G.

Provision against asset restoration

Provision against asset restoration reached SAR 82 million at 31 December 2023G and is mainly against site restoration in respect of SFC's contractual obligation to restore the properties (factories in KSA namely USCA (Sugar), AIC (oil) at their original condition. Despite minor changes year on year, overall, the provision against site restoration remained stable over the review period. SFC records provision for decommissioning costs of manufacturing facility and restoration of leasehold improvements. Such costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a rate that reflects the current market assessments of the time value of money and risks specific to the related liability. The unwinding of the discount is expensed as incurred and recognized in the profit or loss as a finance cost.

Loans and borrowings

Loans and borrowings amounted to SAR 3,555 million at 31 December 2023G mainly included long (c.28%) and short-term loans (c.72%) (both secured and unsecured loans) obtained from commercial banks and other financial institutions. Secured bank loans represent borrowings which are secured by a charge on assets, including property, plant and equipment amounting to SAR 128 million and inventories amounting to SAR 24 million of certain overseas subsidiaries and does not include borrowings which are secured by corporate guarantee. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of SFC subsidiaries are secured by corporate guarantees of SFC and Savola Group Company (the parent). The Group did not breach any covenants as at 31 December 2023G.

Loans and borrowings increased from SAR 3,709 million at 31 December 2021G to SAR 3,720 million at 31 December 2022G driven by the new long-term loan amounting to SAR 63 million. This was partly offset by periodic payments made with respect to existing loans and FX impact during the period.

Loans and borrowing decreased from SAR 3,720 million at 31 December 2022G to SAR 3,555 million at 31 December 2023G mainly driven by periodic payments and FX impact during the period.

Trade payables

Trade payables amounted to SAR 1,317 million at 31 December 2023G and comprised balances due to various oil, sugar and other food suppliers. Trade payables increased from SAR 1,065 million at 31 December 2021G to SAR 1,621 million at 31 December 2022G namely from the increase in balances payable to sugar suppliers by SAR 364 million due to purchase financing coupled with increase in payable balances in Iran by SAR 250 million against the higher purchase of inventories. This was partly offset by the decrease in payable balances related to Savola Morocco Company by SAR 23 million given the reclassification made to liabilities held for sale, coupled with the minor decrease in balances related to KUGU mainly driven by the devaluation of the Turkish currency.

Trade payables decreased from SAR 1,621 million at 31 December 2022G to SAR 1,317 million at 31 December 2023G following the decrease in sugar suppliers' payable balances in connection with USC by SAR 320 million due to normalization of purchase financing at 2021G levels.

Non- trading derivatives

Non-trading derivative amounted to SAR 205 million at 31 December 2023G and solely relates to the put option with EBRD where it had the right to exercise the put option to sell all the shares held by EBRD in USCE to the remaining shareholders of USCE until 15 May 2024G. The value of the put option is dependent and inversely proportional to the fair valuation of USCE.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities amounted to SAR 1,961 million at 31 December 2023G and mainly consisted of accrued expenses, accrued zakat and income tax, marketing related accruals, employee related accruals and others.

Accrued expenses and other current liabilities increased from SAR 1,535 million at 31 December 2021G to SAR 1,688 million at 31 December 2022G mainly driven by the increase in balances due to related parties from nil to SAR 150 million during the same period namely to Savola Company by SAR 86 million which relate to fund transfers, dividends, rent charge and IT services and USCE by SAR 63 million.

Accrued expenses and other current liabilities increased from SAR 1,688 million at 31 December 2022G to SAR 1,961 million at 31 December 2023G mainly due to the increase in (i) accrued zakat and tax expense by SAR 148 million mainly related to the increase in tax in foreign countries (Egypt, Turkey and Iran), (ii) payable to government authorities by SAR 12 million in connection with VAT, custom duties, subsidies and price differences on edible oil purchases, (iii) accrued expenses by SAR 95 million, due to SAR 45 million additional provision in connection with claims by local regulators in certain overseas territories to affect a new pricing mechanism for edible oil products by replacing subsidized rate mechanism, and consultancy and other factory related accruals, amongst others.

7.7.4.3 Cash Flow Statements

Table (7.48): Statement of cash flow for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Profit for the year	375	500	581
Adjustments for:			
Depreciation on property, plant and equipment	197	215	206
Depreciation on right-of-use asset	37	40	41
Amortization of intangible assets	6	14	10
Net finance cost	131	278	520
Net finance cost on lease liability	9	13	12
Share of results of equity-accounted investees, net of tax	32	21	38
(Gain) / loss on sale of property, plant and equipment	(2)	-	1
Zakat and income tax expense	110	165	220
Gain on disposal of investment in subsidiary/associate	-	-	(19)
Impairment in equity accounted investees	44	15	1
Impairment reversal, net - Subsidiaries	-	-	(67)
Total adjustments	**939**	**1,261**	**1,545**
Changes in:			
Inventories	(523)	(1,072)	212
Trade receivables	(337)	(266)	(167)
Prepayments and other receivables	(231)	(100)	316
Trade payables	310	731	(100)
Employee benefits	4	16	24
Accrued and other liabilities	101	210	(157)
Cash generated from operating activities	**262**	**781**	**1,672**
Finance cost paid	(213)	(272)	(381)
Zakat and income tax paid	(60)	(63)	(62)
Net cash (used in)/ generated from operating activities	**(11)**	**446**	**1,229**
Acquisition of property, plant and equipment	(160)	(300)	(160)
Acquisition of intangible assets-software	(4)	(1)	(1)
Proceeds from sale of property, plant and equipment	8	8	1
Additional cash contribution – Associate	-	-	(5)
Sale of investment – Subsidiary	-	-	41
Acquisition of a subsidiary during the year	(970)	-	-
Net cash used in investing activities	**(1,126)**	**(293)**	**(123)**
Net change in loans and borrowings - current	832	499	198
Net change in loans and borrowings - non-current	614	16	(23)

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Net changes in bank deposits with maturity more than three months	(115)	(104)	(181)
Payment of lease liabilities	(35)	(59)	(46)
Net funds withdrawn from Savola Group Company (ultimate parent) treasury	99	161	(132)
Dividends paid to owners of the company	(200)	(250)	(250)
Dividend paid to non-controlling interests	(25)	(35)	(38)
Net cash generated from / (used in) financing activities	**1,168**	**228**	**(472)**
Net increase in cash and cash equivalents	**32**	**382**	**634**
Effect of movements in exchange rates on cash and cash equivalents	(2)	(174)	(126)
Cash and cash equivalents at January 1	104	135	342
Cash and cash equivalents at December 31	**135**	**342**	**849**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Net cash generated from / (used in) operating activities

Net cash generated from / (used in) operating activities increased from SAR 11 million cash used in operating activities in 2021G to cash generated from operating activities amounting to SAR 446 million in 2022G mainly due to (i) the increase in the company's profit by SAR 125 million, (ii) and increase in changes in working capital mainly driven by the increase in movement of trade payables by SAR 422 million (in line with the increase in inventories) and accrued expenses by SAR 110 million during the same period. This was partially offset by the decrease in change in inventories from SAR 523 million to SAR 1,072 million given the increase in global commodity prices, coupled with increased purchases made towards year-end in anticipation of the approaching Ramadan Season.

Net cash generated from operating activities further increased from SAR 446 million in 2022G to SAR 1,229 million in 2023G mainly due to (i) increase in movement in inventory by SAR 1,284 million mainly due to the decrease in edible oil prices, (ii) increase in movement in prepayments and other receivables by SAR 416 million mainly due to the payments received in relation to subsidies receivable in Afia Algeria, and (iii) increase in SFC's overall profits from SAR 500 million in 2022G to SAR 581 million in 2023G.

Net cash used in investing activities

Net cash used in investing activities decreased from SAR 1,126 million in 2021G to SAR 293 million in 2022G given the absence of the one-off cash outflow in 2021G in connection with the acquisition of Bayara Holdings Limited which amounted to SAR 975 million.

Net cash used in investing activities further decreased from SAR 293 million in 2022G to SAR 123 million in 2023G mainly due to a decrease in the acquisition of property, plant, and equipment namely construction work in progress, by SAR 140 million in 2023G as compared to 2022G.

Net cash generated from / (used in) financing activities

Net cash generated from / (used in) financing activities decreased from SAR 1,168 million in 2021G to SAR 228 million in 2022G mainly due to the decrease in net change in loans and borrowings during the same period.

Net cash generated from financing decreased from SAR 228 million in 2022G to SAR 472 million cash used in financing in 2023G mainly due to the decrease in net change in loans and borrowings coupled with the increase in cash outflows from net changes in bank deposits with maturities more than three months by SAR 77 million in 2023G as compared to 2022G.

7.7.5 Results of operations from Panda Retail Company

7.7.5.1 Statement of Profit or Loss and Other Comprehensive Income

Table (7.49): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	10,476	10,114	10,331	(3.5%)	2.1%	(0.7%)
Cost of revenues	(8,137)	(7,752)	(7,774)	(4.7%)	0.3%	(2.3%)
Gross profit	**2,339**	**2,362**	**2,558**	**1.0%**	**8.3%**	**4.6%**
Other operating income	8	9	7	15.9%	(21.2%)	(4.5%)
Selling and distribution expenses	(2,027)	(2,115)	(2,109)	4.3%	(0.3%)	2.0%
Administrative expenses	(307)	(308)	(285)	0.4%	(7.5%)	(3.7%)
Impairment reversal / (loss)	(363)	100	47	(127.4%)	(53.0%)	NA
Operating profit	**(350)**	**48**	**218**	**(113.6%)**	**356.7%**	**NA**
Finance income	1	-	-	(100.0%)	NA	(100.0%)
Finance cost	(218)	(170)	(192)	(22.2%)	13.2%	(6.2%)
Net finance cost	**(217)**	**(170)**	**(192)**	**(21.8%)**	**13.2%**	**(5.9%)**
Other expenses - net	(14)	(35)	23	147.7%	(167.2%)	NA
Loss before zakat and income tax	**(581)**	**(157)**	**49**	**(73.0%)**	**(131.5%)**	**NA**
Zakat and income tax expense	(6)	(1)	(3)	(76.9%)	105.3%	(31.1%)
Net loss for the year	**(587)**	**(158)**	**47**	**(73.0%)**	**(129.5%)**	**NA**
Other Comprehensive Income / (Loss)						
Items that will not be reclassified to profit or loss						
Re-measurements of defined benefit liability	(12)	47	40	(480.9%)	(13.8%)	NA
Items that are or may be reclassified subsequently to profit or loss						
Foreign operations – foreign currency translation differences	-	(6)	(3)	(7509.2%)	(52.8%)	NA
Other comprehensive (loss)/income for the year	**(12)**	**40**	**37**	**(430.8%)**	**(7.6%)**	**NA**
Total comprehensive income for the year	**(599)**	**(118)**	**84**	**(80.3%)**	**(171.3%)**	**NA**
KPIs						
As a % of revenue						
Gross profit (1)	22.3%	23.4%	24.8%	1.1	1.4	2.5
Operating profit margin (2)	(3.3%)	0.5%	2.1%	3.8	1.6	5.4
Net profit margin (3)	(5.6%)	(1.6%)	0.5%	4.0	2.1	6.1

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) Gross profit margin is defined as gross profit divided by revenue, and is a percentage.

(2) Operating profit margin is defined as results from operating activities divided by revenue, and is a percentage.

(3) Net profit margin is defined as profit for the year divided by revenue, and is a percentage.

Revenue

Revenue is mainly generated from (i) sale of goods (99.5% on average of total revenue over 2021G-2023G) as well as rental income (0.4% on average of total revenue over 2021G-2023G) from lease contracts which are recognized over a period of time, and commission income (0.1% on average of total revenue over 2021G-2023G). Panda mainly operates in Saudi Arabia (98.5% on average of total revenue over 2021G-2023G) as well as Egypt (1.5% on average of total revenue over 2021G-2023G).

Revenue decreased by 3.5% from SAR 10,476 million in 2021G to SAR 10,114 million in 2022G mainly as a result of the final closure of 9 nonperforming stores as part of Panda's transformation strategy.

Revenue increased by 2.1% from SAR 10,114 million in 2022G to SAR 10,331 million in 2023G driven by the partial completion of CXR program implementation whereby 75 stores were completed as part of the CXR program (including 1 pilot store) while 32 supermarkets were added to the CXR program in 2024G.

Cost of revenues

Cost of revenues mainly comprised of cost of goods sold (an average of 96.0% of total cost of revenue over the 2021-2023G period) as well as stock loss (2.2% of total cost of revenue over the 2021-2023G period) and packaging costs (1.0% of total cost of revenue over the 2021-2023G period).

Cost of revenues decreased by 4.7% from SAR 8,137 million in 2021G to SAR 7,752 million in 2022G mainly driven by the decrease in cost of goods sold in line with the decrease in revenue over the same period. Cost of revenues remained relatively stable over the 2022G-2023G period.

Gross profit

Gross profit remained relatively stable over the 2021G-2022G period, amounting to SAR 2,339 million and SAR 2,362 million in 2021G and 2022G, respectively. Gross profit increased by 8.3% from SAR 2,362 million in 2022G to SAR 2,558 million in 2023G mainly in line with revenue growth. Gross profit margin has been steadily increasing over the period, from 22.3% in 2021G to 23.4% in 2022G and further to 24.8% in 2023G, in line with Panda' transformation strategy under implementation in addition to the renegotiation of contracts with suppliers in 2023G, marketing support, and supply chain cost optimization.

Other operating income

Other operating income mainly pertained to carton sales. Other operating income remained relatively stable amounting to SAR 8 million in 2021G, SAR 9 million in 2022G and SAR 7 million in 2023G.

Selling and distribution expenses

Selling and distribution expenses primarily comprised of salaries, wages, and benefits (an average of 51.8% of total selling and distribution costs over the 2021-2023G period), depreciation of right of use assets and property and equipment (24.1%), utilities (9.2%), and others.

Selling and distribution expenses increased by 4.3% from SAR 2,027 million in 2021G to SAR 2,115 million in 2022G mainly due to certain reclassifications including bank charges on debit and credit cards collections from customers from finance cost to selling and distribution expenses, coupled with the increase in rent expense by SAR 40 million in relation to change in the rental agreement for certain stores whereby the agreement was modified from fixed rental to rentals based on percentage of sales.

Selling and distribution expenses remained relatively stable, amounting to SAR 2,115 million in 2022G and SAR 2,109 million in 2023G. The marginal decrease is due to the decrease in maintenance expenses by SAR 29 million and utilities by SAR 25 million was majorly offset by the increase in property and equipment depreciation expenses by SAR 64 million due to additions related to property and equipment in connection with the construction and upgrade of supermarkets and hyper markets as part of the CXR implementation program.

Administrative expenses

Administrative expenses mainly included salaries, wages, and benefits (an average of 58.9% of total over the 2021G-2023G period), IT related expenses (an average of 10.6% of total over the 2021G-2023G period), and professional fees (an average 9.8% of total over the 2021G-2023G period), among others.

Administrative expenses remained relatively stable over the 2021-2022G period amounting to SAR 307 million and SAR 308 million in 2021G and 2022G, respectively and mainly comprised of salaries, wages, and benefits (60.9% and 57.6%, respectively).

Administrative expenses subsequently decreased by 7.5% to SAR 285 million in 2023G mainly driven by the decrease in professional fees (-SAR 29 million) mainly as a result of the decrease in number of projects.

Impairment reversal / (loss)

Impairment reversal / (loss) during 2021G mainly pertained to impairment charges or reversals based on Panda's assessment exercise of the recoverable amounts of non-financial assets including goodwill, property and equipment and right-of-use assets at year-end. During 2021G, total impairment charges amounted to SAR 363 million and mainly related to charges on freehold land (SAR 36 million), "Al Bab" goodwill impairment (SAR 13 million), and impairment assessment on stores (SAR 314 million). The impairment reversals of SAR 100 million in 2022G mainly pertain to impairment reversal on freehold land (SAR 36 million) and impairment reversal related to stores (SAR 76 million) due to improved performance partially netted off by impairment charge on goodwill in respect of "Al Bab" amounting to SR 12.7 million. The impairment reversals of SAR 47 million in 2023G were mainly related to impairment reversal on freehold land (SAR 39 million) and impairment reversal related to stores (SAR 7 million) due to improved performance.

Net finance cost

Net finance cost decreased from SAR 217 million in 2021G to SAR 170 million in 2022G mainly due to the decrease in interest expenses – lease liabilities (-SAR 21 million) coupled with the reclassification of POS terminal charges from finance costs to selling and distribution expenses.

Net finance cost increased from SAR 170 million in 2022G to SAR 192 million in 2023G mainly driven by the increase in financial charges on borrowings by SAR 30 million partially net-off by decrease in interest expenses – lease liabilities by SAR 17 million.

Other (expenses) / income – net

Other (expenses) / income – net mainly pertained to gains or losses on asset disposals / write-offs. Other (expenses) / income amounted to SAR -14 million, SAR -35 million and SAR 23 million in 2021G, 2022G and 2023G respectively.

Zakat and income tax expense

Zakat and income tax expense decreased from SAR 6 million in 2021G to SAR 1 million in 2022G and subsequently increased to SAR 3 million in 2023G.

7.7.5.2 Balance Sheets

Table (7.50): Statement of financial position for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Assets			
Property and equipment	2,103	2,326	2,699
Investment properties	40	39	39
Right-of-use assets	2,441	2,273	2,114

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Intangible assets and goodwill	265	261	250
Investments at fair value through profit or loss	3	6	18
Non-current assets	**4,851**	**4,905**	**5,121**
Inventories	1,165	1,334	1,496
Trade receivables	37	36	36
Prepayments and other current assets	175	218	196
Cash and cash equivalents	140	154	146
Current assets	**1,516**	**1,742**	**1,874**
Total Assets	**6,368**	**6,648**	**6,995**
Equity			
Share capital	1,480	400	1,020
Foreign currency translation reserves	(51)	(57)	(60)
Employees' share based payment plan reserves	2	2	3
Accumulated losses / Retained earnings	(1,082)	(113)	154
Total equity	**349**	**232**	**1,116**
Liabilities			
Lease liabilities – non-current	2,536	2,311	2,273
Employee benefits	451	425	406
Provision against asset restoration	72	72	71
Non-current liabilities	**3,059**	**2,807**	**2,750**
Loans and borrowings	30	330	100
Lease liabilities – current	461	492	339
Trade payables	1,805	2,142	2,081
Accrued and other liabilities	664	645	609
Current liabilities	**2,960**	**3,609**	**3,129**
Total liabilities	**6,019**	**6,416**	**5,879**
Total equity and liabilities	**6,368**	**6,648**	**6,995**
KPIs			
DPO (1)	81	97	103
DIO (2)	53	60	67
ROA (3)	(9.2%)	(2.4%)	0.7%
ROE (4)	(168.2%)	(68.3%)	4.2%
Debt to equity (5)	0.1	1.4	0.1

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) The accounts payable turnover rate (days) is calculated based on the average trade payables over the cost of materials consumed during the year.

(2) Inventory turnover (days) is calculated based on the average finished goods over the cost of goods sold during the year.

(3) Return on assets is calculated as follows: net profit for the year / total assets at the end of the year.

(4) Return on equity is calculated as follows: Net profit for the year / total equity at the end of the year.

(5) Debt to equity is calculated as follows: Loans and borrowings / total equity at the end of the year.

Property and equipment

Property and equipment net book value of Panda amounted to SAR 2,699 million at 31 December 2023G and was mainly comprised of:

a- Land (representing 32% of total net book value) encompasses more than 11 properties utilized for supermarkets, hypermarkets, and warehouses, along with 9 other parcels;

b- Leasehold improvement (representing 24% of total net book value) relating to civil and electro-mechanical works, plumbing, floor partitions and other installations made to Panda stores on leased properties;

c- Buildings (representing 18% of total net book value) comprised civil works, installations, fit outs, and other work executed on the Panda's buildings (warehouses, supermarkets, and hypermarkets);

d- Equipment, furniture, and fixtures (19%) relate to air conditioners refrigerators, chillers, cold rooms, stands, shelves, cabinets, and other equipment installed in Panda stores; and

e- Construction work in progress (6%) relating to construction, upgrade, enhancement of the Panda stores predominantly related to the CXR program.

Property, plant and equipment net book value increased from SAR 2,103 million at 31 December 2021G to SAR 2,326 million at 31 December 2022G mainly following (i) additions of SAR 404 million mainly related to Panda's CXR program to improve the stores' look and feel; partially offset by (ii) deprecation charge for the year of SAR 201 million; (iii) net disposal amounting to SAR 25 million mainly due to CXR program where some assets were dismantled and sold as scrap; and (iii) impairment reversal of SAR 73 million relating to land given higher valuation based on expert assessments and following improvement in Panda store current performance and forward looking performance.

Property, plant and equipment's net book value, increased from SAR 2,326 million at 31 December 2022G to SAR 2,699 million at 31 December 2023G mainly driven by additions made over the year amounting to SAR 627 million which were mainly related to the ongoing CXR program to revamp existing Panda stores as well as due to impairment reversal of SAR 42 million pertaining to land parcels owned by Panda upon appreciation in value based on MTM and reversal of impairment of stores amounting to SR 7 million due to improvement in store performance. This was partly net-off by a depreciation charge amounting to SAR 265 million and a net disposal amount of SAR 26 million mainly relating to scrap sales.

Investment properties

Investment property reached SAR 39 million at 31 December 2023G and mainly comprised of sub-leased premises within owned supermarkets and hypermarkets areas and are utilized for the purpose of rental income (at 31 December 2023G). Investment property remained relatively stable at c. SAR 39 million over the review period.

Right-of-use assets

Right of use assets amounted to SAR 2,114 million at 31 December 2023G and mainly comprised of leased land and building pertaining to supermarkets, hypermarkets, warehouses and compounds as well as leased busses and cars amongst others.

Right of use assets decreased from SAR 2,441 million at 31 December 2021G to SAR 2,273 million at 31 December 2022G mainly due to depreciation charge amounting to SAR 347 million, partly offset by additions amounting to SAR 241 million during the same year. The additions mainly relate to renewals of existing Panda stores' contracts in accordance with IFRS 16.

Right of use assets decreased further from SAR 2,273 million at 31 December 2022G to SAR 2,114 million at 31 December 2023G driven by deprecation charge amounting to SAR 351 million, and disposals of SAR 13 million partly offset by additions made amounting to SAR 195 million predominantly related to the renewals of existing store contracts in addition to new store openings which include 6 supermarkets and 1 hypermarket.

Intangible assets and goodwill

Intangible assets and goodwill amounted to SAR 250 million at 31 December 2023G and comprised goodwill arising from historical acquisitions, software, and software under development.

Intangible asset and goodwill decreased from SAR 265 million in 2021G to SAR 261 million in 2022G due to (i) software and license fees write-off upon reclassification to operating expenses of SAR 24 million (cost of software historically capitalized but given that they did not go live, Panda expensed it), (ii) amortization for the year of SAR 18 million and the (iii) impairment loss amounting to SAR 13 million booked on goodwill arising from "Al Bab", partially offset by addition under software and software under development of SAR 32 million coupled with reclassifications from property and equipment amounting to SAR 18 million mainly in regards to software.

Intangible asset decreased from SAR 261 million at 31 December 2022G to SAR 250 million at 31 December 2023G mainly due to amortization charges amounting to SAR 20 million, write-off of SAR 9 million due to software write-off partially offset by additions of SAR 17 million due to new/improvement to software's.

Investments at fair value through profit or loss

Investment at fair value through profit and loss (FVTPL) mainly relates Shares of Savola Group Company held by Panda to settle future potential obligation related to Employees' share based payment plan. These plans entitle certain eligible senior executives of Panda conditional right to receive share of Savola Group Company following the satisfaction of service condition. Panda is the settling entity i.e. providing shares of Savola Group Company to eligible senior Executives of Panda. Investment at FVTPL increased from SAR 3 million at 31 December 2021G to SAR 6 million at 31 December 2022G and further to SAR 18 million at 31 December 2023G following the acquisitions of Savola Group shares, coupled with the quoted price movement of the said shares.

Inventories

Inventory amounted to SAR 1,496 million at 31 December 2023G and mainly comprised of (i) food supplies and other merchandise relating to all the consumer goods shelved and stocked in Panda supermarkets and hypermarkets amounting to SAR 1,484 million in addition to (ii) supplies and packing materials amounting to SAR 39 million.

The increase in inventories from SAR 1,165 million at 31 December 2021G to SAR 1,334 million at 31 December 2022G and further to SAR 1,496 million at 31 December 2023G is mainly due to the increase in purchases to secure food supplies in anticipation for Ramadan season which took place in the 1st quarter of 2023G and 2024G (compared to second quarter in 2022G).

Trade receivables

Trade receivables balance amounted to SAR 36 million at 31 December 2023G and was mainly stemming from rental income and advertising rental contributing to c.44% and c.24% of total gross receivables at 31 December 2023G, respectively.

Gross and net trade receivable remained stable at c. SAR 50 million and c. SAR 36 million respectively over 31 December 2021G and 31 December 2022G.

Gross trade receivable increase from SAR 50 million at 31 December 2022G to SAR 80 million at 31 December 2023G following the increase in receivable from (i) advertising rental by SAR 14 million due to renegotiation of contract and addition of new contracts and (ii) increase in rental income by SAR 9 million. Allowance for impairment losses increased from SAR 14 million as at 31 December 2022G to SAR 44 million as at 31 December 2023G following the reclassification of provision against certain receivables from accruals to allowance for impairment losses.

Prepayments and other current assets

Prepayments and other current assets reached SAR 196 million at 31 December 2023G and mainly include advances to vendors amounting to SAR 41 million and prepaid rent amounting to SAR 18 million, net VAT receivable amounting to SAR 14 million followed by other prepaid expenses amounting to SAR 107 million which mainly consisting of prepaid work permit of SAR 58 million, prepaid insurance of SAR 14 million and housing allowance of SAR 12 million.

Prepayments and other current assets increased from SAR 175 million at 31 December 2021G to SAR 218 million at 31 December 2022G due to increase in advances to vendors from SAR 29 million to SAR 86 million following the increase in letter of credit given to capex suppliers from SAR 10 million at 31 December 2021G to SAR 65 million at 31 December 2022G upon the start of the CXR program.

Prepayments and other current assets decreased from SAR 218 million at 31 December 2022G to SAR 196 million at 31 December 2023G due to the decrease in advances to vendors by SAR 45 million following the decline in outstanding Letter of credit balances by SAR 43 million mainly as a result of the completion of the CXR program in several Panda stores.

Cash and cash equivalents

Cash and cash equivalents reached SAR 146 million at 31 December 2023G consisting of SAR 136 million of cash at banks and SAR 10 million of cash at hand mainly physical cash kept readily available at the checkout counters in Panda stores and petty cash.

Cash and cash equivalent remained stable over the review period.

Share capital

Share capital amounted to SAR 1,020 million at 31 December 2023G and mainly include 102 million shares of SAR 10 each.

Share capital decreased from SAR 1,480 million at 31 December 2021G to SAR 400 million at 31 December 2022G following Panda shareholders resolution approved in the Extraordinary General Assembly Meeting (dated 7 March 2022G) to reduce the Company's share capital by SAR 1,080 million to absorb accumulated losses.

Share capital increased from SAR 400 million at 31 December 2022G to SAR 1,020 million at 31 December 2023G following Panda shareholders resolution approved in the Extraordinary General Assembly Meeting (dated 19 December 2023G) to reduce Panda's share capital by SAR 180 million in order to absorb accumulated losses followed by increase in share capital by SAR 800 million.

Note that prior to capital increase in 2023G, Saudi Geant Company Limited entered into an agreement with the Group to sell its minority share of 1.13% to the Group and Al Utur Arabian Company for Commercial Investment (subsidiary of the Group). This transaction had no impact on Panda total amount of share capital and number of shares issued.

Foreign currency translation reserves

Foreign currency translation reserves increased from a loss of SAR 51 million at 31 December 2021G to a loss of SAR 57 million at 31 December 2022G due to Egyptian pound devaluation.

Foreign currency translation reserves further increased from a loss of SAR 57 million at 31 December 2022G to a loss of SAR 60 million at 31 December 2023G due to Egyptian pound devaluation.

Employees' share based payment plan reserves

Employees' share based payment plan reserves amounted to SAR 3 million at 31 December 2023G and mainly comprised of the reserve for the equity settled Share Based Payment Plan for the benefit of certain eligible senior executives of Panda. Employees' share based payment plan reserves remained almost stable over the review period from SAR 2 million in 2021G to SAR 3 million in 2023G.

Accumulated losses / Retained earnings

Accumulated losses decreased from SAR 1,082 million at 31 December 2021G to SAR 113 million at 31 December 2022G following (i) the reduction in the Company's share capital by SAR 1,080 million to absorb accumulated losses in March 2022G, (ii) OCI gain of SAR 47 million in 2022G, partially offset by (iii) additional losses in 2022G amounting to SAR 158 million.

The increase in retained earnings in year ended 31 December 2023G, which amounted to SAR 154 million, was due to (i) the reduction in the Company's share capital by SAR 180 million to absorb accumulated losses, (iii) OCI gain of SAR 40 million, and (iii) a profit of SAR 47 million in 2023G.

Employee benefits

Employee benefits reached SAR 406 million at 31 December 2023G. Panda operates an unfunded employees' end of service benefits plan for its permanent employees as required by the Saudi Arabian Labor Law and in accordance with the local statutory requirements of the foreign subsidiaries.

Employee benefits decreased from SAR 451 million at 31 December 2021G to SAR 425 million at 31 December 2022G due to payment during the year of SAR 44 million and actuarial gain of SAR 47 million partially offset by the service cost and interest for the year of SAR 64 million.

Employee benefits decreased from SAR 425 million at 31 December 2022G to SAR 406 million at 31 December 2023G due to payment during the year of SAR 45 million and actuarial gain of SAR 40 million partially offset by the service cost and interest for the year of SAR 66 million.

Provision against asset restoration

Provision against asset restoration amounted to SAR 71 million at 31 December 2023G and is mainly against site restoration in respect of Panda's contractual obligation to restore the leased properties to their original condition. Despite minor changes year on year, overall, the provision against site restoration remained stable over the review period.

Loans and borrowings

Loans and borrowings reached SAR 100 million at 31 December 2023G and comprise of short term borrowings. The increase year on year of the contracted number of loans is in line with Panda CXR program and expansion.

Loans and borrowings increased from SAR 30 million at 31 December 2021G to SAR 330 million at 31 December 2022G due to the increase in short term loans obtained during the year in line with the Panda CXR program and expansion. Loans and borrowings decreased from SAR 330 million at 31 December 2022G to SAR 100 million at 31 December 2023G is due to settlements made during the year. The loans are guaranteed by a corporate guarantee from Savola Group and promissory notes.

Lease liabilities

Lease liabilities amounted to SAR 2,612 million at 31 December 2023G and mainly relate to IFRS 16 leases for supermarkets, hypermarkets, warehouses, compounds, and vehicles.

Lease liabilities decreased from SAR 2,997 million at 31 December 2021G to SAR 2,803 million at 31 December 2022G due to (i) lease payments during the year (SAR 486 million), (ii) lease termination and modification for the year (SAR 105 million) partially offset by (iii) unwinding in finance costs for the year (SAR 160 million) and (iv) additions during the year (SAR 236 million).

Lease liabilities decreased from SAR 2,803 million at 31 December 2022G to SAR 2,612 million at 31 December 2023G due to (i) lease payments amounting to SAR 507 million during the year, (ii) lease termination and modification amounting to SAR 18 million, partially offset by (iii) unwinding in finance costs amounting to SAR 143 million along with (iv) additions made over the year amounting to SAR 195 million.

Trade payables

Trade payables amounted to SAR 2,081 million at 31 December 2023G and mainly consisted of (i) payables to third party (c.87%); and (ii) payable to related parties (c.12%).

Trade payables increased from SAR 1,805 million at 31 December 2021G to SAR 2,142 million at 31 December 2022G mainly due to the increase in inventory purchases towards year-end in anticipation for Ramadan Season which took place during the first quarter of 2023G.

Trade payables decreased from SAR 2,142 million at 31 December 2022G to SAR 2,081 million at 31 December 2023G mainly due to the implementation by the government in Saudi Arabia of the e-invoicing which decreased discrepancies in suppliers' invoices leading to timely payments. This was partially offset by the increase in inventory at year end in preparation for Ramadan season.

Accrued and other liabilities

Accrued and other liabilities amounted to SAR 609 million at 31 December 2023G and mainly included:

a- Accrued expenses contributing to 31% of total accrual and other liabilities and comprised of accruals for Sallati card (a prepaid shopping card), IT accruals (mainly licenses and subscriptions), and accrued non-trade purchases related to non-trade goods/services received by the company but not yet invoiced by the vendor (this also include capex for CXR program), amongst others.

b- Employee related accruals (c.27%) which mainly includes accruals for employee bonuses;

c- Payable to contractors (c.11%) which mainly comprises of accruals for construction in progress and accruals for goods and services relating to non-trade purchases and retention payable to contractors; and

d- Accrued utilities (c.11%) which includes accruals for water, electricity, and cleaning/maintenance expenses.

Accrued and other liabilities decreased from SAR 664 million at 31 December 2021G to SAR 645 million at 31 December 2022G due to (i) a decrease in payable to vendor of supply material and construction in progress amounting to SAR 49 million following settlements made to suppliers of non-trade materials and services including capex projects, (ii) decrease in VAT payable amounting to SAR 24 million given that the purchases were higher than sales at year end in preparation for Ramadan, (iii) decrease in provision against onerous contracts amounting to SAR 39 million due to settlements, partially offset by (iv) an increase in accrued expenses amounting to SAR 70 million due to the increase in accrued non-trade purchases by SAR 35 million including those related to CXR coupled with the booking of a contingency provision against recoverability of certain assets by SAR 26 million and (v) an increase in related party payables amounting to SAR 50 million pertaining to Savola Company (for funding the CXR program) in line with the centralized treasury agreement (SLA) by which subsidiaries obtain financing from Savola Group Company.

Accrued and other liabilities decreased from SAR 645 million at 31 December 2022G to SAR 609 million at 31 December 2023G due to (i) a net SAR 12 million decrease in payable to contractors of supply material, retention payable, and construction in progress following settlements made to suppliers of non-trade materials and services including capex projects, (ii) decrease in VAT payable from SAR 12 million to nil given that the purchases were higher than sales at year end in preparation for Ramadan, (iii) decrease in related party payables by SAR 33 million to Savola Company (due to repayment / adjustment), and (iv) partially offset by an increase in employee related accruals amounting to SAR 34 million partially due to increase in bonus accruals.

7.7.5.3 Cash Flow Statements

Table (7.51): Statement of cash flow for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
(Loss) / Profit for the year	(587)	(158)	47
Adjustments for:			
Depreciation - owned property	223	201	265
Depreciation on right-of-use asset	376	347	351
Depreciation – investment properties	2	2	2
Amortization – software	11	19	20
Unwinding of lease liability	181	160	143
Impairment (reversal) / losses	363	(100)	(47)
Impairment losses on trade receivables	-	1	4
Inventory (reversal of) / write down to net realizable value	34	(18)	(28)
Gain on termination of right-of-use assets	(105)	(6)	(5)
Loss on disposal / write-off property and equipment	21	12	(23)

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Write-off – software	2	23	4
Share based compensation	2	2	4
Unrealized gain on FVTPL investments	-	-	(3)
Net finance cost	2	6	37
Zakat and income tax expense	6	1	3
Total adjustments	**530**	**493**	**774**
Changes in:			
Inventories	17	(153)	(136)
Trade receivables	1	-	(5)
Prepayments and other receivables	(30)	(46)	13
Trade payables	139	337	(55)
Employee benefits	13	20	13
Provision against asset restoration	(2)	-	(1)
Accrued and other liabilities	27	(19)	(17)
Cash generated from operating activities	**696**	**631**	**586**
Finance cost paid	(2)	(6)	(37)
Zakat and income tax paid	(10)	(5)	(2)
Net Cash generated from operating activities	**683**	**620**	**548**
Acquisition of property and equipment	(105)	(404)	(627)
Proceeds from disposal of property and equipment	9	21	31
Acquisition of software	(113)	(32)	(17)
Additions in investment properties	-	(1)	(2)
Addition in investment	-	(4)	-
Acquisition of subsidiary, net of cash	(8)	-	-
Net cash used in investing activities	**(217)**	**(420)**	**(615)**
Proceeds from issuance of shares	-	-	800
Net change in loans and borrowings	30	300	(230)
Payment of lease liabilities	(507)	(486)	(507)
Net cash (used in) / generated from financing activities	**(477)**	**(186)**	**63**
Net increase in cash and cash equivalents	**(11)**	**15**	**(4)**
Effect of movements in exchange rates on cash and cash equivalents	-	(1)	(3)
Cash and cash equivalents at January 1	151	140	154
Cash and cash equivalents at December 31	**140**	**154**	**146**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Net cash generated from operating activities

Net cash generated from operating activities decreased from SAR 683 million in 2021G to SAR 620 million in 2022G due to (i) increase in net inventory by SAR 153 million due to higher purchases towards year-end in anticipation of the approaching Ramadan Season, (ii) decrease in movement of accruals to -SAR 19 million, which mainly stem from payments to contractors and VAT, and (iii) increase in movement in prepayments by SAR 16 million mainly due to increase in advances to vendors and (iv) non-cash adjustments mainly due to movement in impairment amounting to SAR 463 million (impairment loss of SAR 363 million in 2021G to impairment reversal of SAR 100 million in 2022G). The decrease in net cash generated from operating activities was partially offset by (i) an increase in movement of trade payables by SAR 197 million in 2022G, in line with inventory increase, (ii) gain from termination of right-of-use assets SAR 99 million in 2022G, and (iii) a decrease in net loss for the year from -SAR 587 million in 2021G to -SAR 158 million in 2022G.

Net cash generated from operating activities further decreased from SAR 620 million in 2022G to SAR 548 million in 2023G mainly due to decrease in change in trade payables by SAR 391 million due to launch of e-invoicing by the government, partially offset by the increase in profit for the year from -SAR 158 million to SAR 47 million in 2023G and increase in change in prepayments and other receivables by SAR 59 million.

Net cash used in investing activities

Net cash used in investing activities increased from SAR 217 million in 2021G to SAR 420 million in 2022G primarily due to higher increase in cash outflow due to addition of property and equipment relating to civil work equipment, furniture and fixtures in line with CXR program by SAR 299 million in 2022G, partially off-set by the decrease in cash outflows for acquisition of software by SAR 81 million in 2022G as compared to 2021G and increase in cash inflow from disposal of property and equipment by SAR 11 million.

Net cash used in investing activities further increased from SAR 420 million in 2022G to SAR 615 million in 2023G mainly due to cash outflow amounting to SAR 223 million in 2022G compared to 2021G due to acquisition of property and equipment for CXR program partially off-set by decrease in cash outflow for acquisition of software by SAR 16 million in 2023G and increase in cash inflow from disposal proceeds of property and equipment by SAR 10 million.

Net cash (used in) / generated from financing activities

Net cash used in financing activities decreased from SAR 477 million in 2021G to SAR 186 million in 2022G mainly due to net increase in movement in borrowings by SAR 270 million and net decrease in payments of lease liabilities by SAR 21 million.

Cash flow from financing activities changed from net out flow of SAR 186 million in 2022G to net cash inflow of SAR 63 million in 2023G mainly due to cash inflows from the issuance of shares amounting to SAR 800 million, partially off-set by repayment of loans amounting to SAR 230 million (against additions to loans of SAR 300 million in 2022G) and net increase in repayment of lease liabilities by SAR 21 million in 2023G.

7.7.6 Results of operations from Herfy Food Services Company

7.7.6.1 Statement of Profit or Loss and Other Comprehensive Income

Table (7.52): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	1,319	1,244	1,174	(5.7%)	(5.6%)	(5.7%)
Cost of revenues	(901)	(937)	(889)	3.9%	(5.1%)	(0.7%)
Gross profit	**418**	**307**	**284**	**(26.5%)**	**(7.4%)**	**(17.5%)**
Other income	11	13	12	21.2%	(7.1%)	6.1%
(Provision)/reversal for impairment on financial assets	-	(5)	2	(1781.5%)	(135.1%)	142.8%

SAR in millions	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Impairment loss on non-financial assets	-	(18)	-	NA	(100.0%)	NA
Gains on financial assets held at fair value through profit or loss	-	1	1	18. 3%	23.8%	21.0%
Selling and distribution expenses	(167)	(184)	(188)	10.3%	2.1%	6.1%
General and administrative expenses	(69)	(73)	(68)	6.8%	(7.7%)	(0.7%)
Operating profit	**194**	**41**	**43**	**(78.8%)**	**5.0%**	**(52.9%)**
Finance cost	(41)	(37)	(32)	(9.7%)	(14.8%)	(12.3%)
Net profit before zakat	**152**	**4**	**11**	**(97.6%)**	**202.8%**	**(72.8%)**
Zakat	(1)	-	(3)	(73.0%)	1508.9%	108.4%
Net profit for the year	**152**	**4**	**8**	**(97.7%)**	**136.5%**	**(76.5%)**
Other Comprehensive Income / (Loss) for the year						
Items that will not be reclassified to profit or loss						
Actuarial gain/(loss) on employees' post-employment benefits	(7)	9	1	(228.1%)	(90.7%)	NA
Total comprehensive income for the year	**144**	**13**	**9**	**(91.0%)**	**(28.5%)**	**(74.7%)**
KPIs						
As a % of revenue						
Gross profit (1)	31.7%	24.2%	24.2%	(7.0)	(0.5)	(7.5)
Operating profit margin (2)	14.7%	3.3%	3.7%	(11.4)	0.4	(11.0)
Net profit margin (3)	11.5%	0.3%	0.7%	(11.2)	0.4	(10.8)

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) Gross profit margin is defined as gross profit divided by revenue, and is a percentage.

(2) Operating profit margin is defined as results from operating activities divided by revenue, and is a percentage.

(3) Net profit margin is defined as profit for the year divided by revenue, and is a percentage.

Revenue

Revenue is generated from sale of goods which is recognized at a point in time, and rental income from lease contracts is recognized on a straight-line basis over the lease term. Revenue includes amounts earned from related parties mainly pertained to bakery and frozen food sales.

Revenue decreased by 5.7% from SAR 1,319 million in 2021G to SAR 1,244 million in 2022G mainly due to a decrease in revenue generated by restaurants amounting to SAR 104 million as a result of a decrease in demand and purchasing power, as well as the intensity of competition which resulted in a decrease in sales to customers by 6.0% amounting to SAR 87 million during the period. This was offset by the increase in revenue generated from lease rentals from SAR 5 million in 2021G to SAR 22 million in 2022G given the transfers made from property, plant, and equipment to investment property during the same period.

Revenue further decreased by 5.6% from SAR 1,244 million in 2022G to SAR 1,174 million in 2023G. The primary driver behind this decline was the decrease in revenue generated by restaurants amounting to SAR 86 million following the overall decrease in market demand and increased competition. This was coupled with the decrease in revenue generated from sales to customers by 5.9% over the 2022-2023G period.

Cost of revenues

Cost of revenues amounted to SAR 889 million in 2023G and comprised of cost of materials consumed amounting to SAR 333 million, employee cost amounting to SAR 248 million and depreciation and amortisation amounting to SAR 165 million, amongst others.

Cost of revenues increased by 3.9% from SAR 901 million in 2021G to SAR 937 million in 2022G mainly in line with increase in (i) material consumed by SAR 21 million, and (ii) other overhead cost by SAR 13 million.

In 2023G, the cost of revenue experienced a decrease of 5.1% to SAR 889 million, primarily in line with the decrease in sales by 5.6% during the same period. This decrease was accompanied by a reduction in the material consumed by (-SAR 45 million).

Gross profit

Gross profit decreased by 26.5% from SAR 418 million in 2021G to SAR 307 million in 2022G mainly in line with decrease in revenue amounting to SAR 75 million coupled with an increase in cost of revenue by 3.9% amounting to SAR 36 million during the period.

In 2023G, gross profit witnessed a further decrease of 7.4%, declining from SAR 307 million in 2022G to SAR 284 million in 2023G, in line with the decrease in revenue by SAR 70 million during the period.

Other income

Other income amounted to SAR 12 million in 2023G and comprised scrap sales amounting to SAR 8 million, other income amounting to SAR 3 million and franchise income amounting to SAR 1 million, which is worth noting that franchise income consists mainly of accrued revenue calculated on the basis of the percentage of sales in accordance with the terms and conditions agreed between Herfy and the franchise parties. Other income increased by 21.2% from SAR 11 million in 2021G to SAR 13 million in 2022G mainly in line with the increase in scrap sales amounting to SAR 4 million.

Other income subsequently decreased from SAR 13 million in 2022G to SAR 12 million in 2023G due to decrease in other income amounting to SAR 1 million.

(Provision)/reversal for impairment on financial assets

(Provision)/reversal for impairment on financial assets amounted to SAR 2 million in 2023G, and reflects adjustments made to account for potential losses in the value of financial assets, specifically relating to trade receivables.

Impairment loss on non-financial assets

In 2022G, Herfy recorded an impairment charge of SAR 18 million against the entire carrying value of the leasehold improvements in the stores that were expected to be closed in 2023G.

Gains on financial assets held at fair value through profit or loss

Gains on financial assets held at fair value through profit or loss increased by a CAGR of 21.0% from SAR 454 thousand in 2021G to SAR 537 thousand in 2022G and then to SAR 665 thousand in 2023G mainly as a result of gains on listed securities amounting to SAR 128 thousand.

Selling and distribution expenses

Selling and distribution expenses increased by 10.3% from SAR 167 million in 2021G to SAR 184 million in 2022G mainly as a result of an increase in Marketing expenses amounting to SAR 17 million.

In 2023G, S&D expenses increased by 2.1% from SAR 184 million in 2022G to SAR 188 million in 2023G mostly pertains to the growth in sales commission amounting to SAR 7 million. This was coupled with the decline in the marketing expenses amounting to SAR 5 million.

General and administrative expenses

General and administrative expenses increased by 6.8% from SAR 69 million in 2021G to SAR 73 million in 2022G mainly as a result of an increase in (i) Board and Committee remuneration amounting to SAR 6 million.

In 2023G, general and administrative expenses experienced a decrease of 7.7%, declining from SAR 73 million in 2022G to SAR 68 million in 2023G stemming from the reduction in board and committee remuneration amounting to SAR 3 million and decrease in employee cost amounting to SAR 2 million.

Finance cost

Finance cost decreased from SAR 41 million in 2021G to SAR 37 million in 2022G in line with the decrease in finance costs in relation to lease liabilities amounting to SAR 3 million, coupled with a decrease in finance cost amounting to SAR 1 million related to finance costs in relation to borrowings.

In 2023G, finance cost decreased by 14.8% from SAR 37 million in 2022G to SAR 32 million in 2023G primarily driven by the decline in finance cost capitalized during the year amounting to SAR 5 million.

Zakat

Zakat decreased from SAR 667 thousand in 2021G to SAR 180 thousand in 2022G and Zakat increased to SAR 3 million in 2023G.

7.7.6.2 Balance Sheets

Table (7.53): Statement of financial position for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Restated)	2022G (Audited)	2023G (Audited)
Assets			
Property, plant and equipment	978	864	831
Right-of-use assets	606	573	549
Net investments in finance lease	7	6	5
Intangible assets	9	13	13
Investment properties	28	138	154
Other non-current assets	-	3	3
Non-current assets	**1,628**	**1,597**	**1,555**
Inventories	135	178	149
Trade, other receivables and prepayments	205	177	187
Net investments in finance lease – current portion	1	1	1
Financial assets held at fair value through profit or loss (FVTPL)	1	21	-
Cash and cash equivalents	30	20	15
Current assets	**372**	**397**	**352**
Total Assets	**2,000**	**1,994**	**1,907**
Equity			
Share capital	647	647	647
Statutory reserve	101	102	-
Retained earnings	295	308	387

SAR in millions	At 31 December		
	2021G (Restated)	2022G (Audited)	2023G (Audited)
Total equity	**1,044**	**1,057**	**1,033**
Liabilities			
Borrowings	15	-	-
Lease liabilities	573	554	515
Employee defined benefits liabilities	102	97	99
Non-current liabilities	**690**	**651**	**614**
Borrowings	15	16	15
Lease liabilities – current portion	46	31	47
Trade and other payables	196	236	194
Zakat payable	9	5	2
Current liabilities	**267**	**287**	**259**
Total liabilities	**957**	**938**	**873**
Total equity and liabilities	**2,000**	**1,994**	**1,907**
KPIs			
DPO [(1)]	125	131	151
DIO [(2)]	11	11	10
ROA [(3)]	7.6%	0.2%	0.4%
ROE [(4)]	14.6%	0.4%	0.8%
Debt to equity [(5)]	0.03	0.02	0.01

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) The accounts payable turnover rate (days) is calculated based on the average trade payables over the cost of material consumed during the year.

(2) Inventory turnover (days) is calculated based on the average finished goods over the cost of goods sold during the year.

(3) Return on assets is calculated as follows: net profit for the year / total assets at the end of the year.

(4) Return on equity is calculated as follows: Net profit for the year / total equity at the end of the year.

(5) Debt to equity is calculated as follows: Loans and borrowings / total equity at the end of the year.

Property, plant and equipment

Property, plant and equipment amounted to SAR 831 million at 31 December 2023G and mainly comprised of (i) buildings and leasehold improvements amounting to SAR 383 million, (ii) machinery and equipment amounting to SAR 168 million and (iii) land amounting to SAR 149 million.

Property, plant and equipment's net book value decreased from SAR 978 million at 31 December 2021G to SAR 864 million at 31 December 2022G mainly due to (i) depreciation charge amounting to SAR 85 million, and (ii) transfer to investment property amounting to SAR 114 million due to change in management's intended use of Herfy Head Office Tower to derive rental income and impairment loss amounting to SAR 18 million. This was partly offset by additions amounting to SAR 103 million mainly related to construction work in progress during the same year.

Property, plant and equipment decreased from SAR 864 million at 31 December 2022G to SAR 831 million at 31 December 2023G given the depreciation charges amounting to SAR 85 million coupled with transfers made to investment property in connection with land and a building (the property used to be used for employee housing, however management changed its' intention in 2023G to lease out the building for third parties) amounting to SAR 12 million. This was partly offset by additions amounting to SAR 66 million during the same period.

Right-of-use assets

Right-of-use of assets amounted to SAR 549 million at 31 December 2023G and consisted of leased land amounting to SAR 231 million at 31 December 2023G and leased buildings amounting to SAR 318 million in connection with Herfy branches.

Right of use assets decreased from SAR 606 million at 31 December 2021G to SAR 573 million at 31 December 2022G mainly due to depreciation charges amounting to SAR 78 million, partly offset by additions amounting to SAR 45 million during the same year.

Right of use assets decreased from SAR 573 million at 31 December 2022G to SAR 549 million at 31 December 2023G driven by deprecation charges amounting to SAR 82 million and disposals of SAR 2 million, partly offset by additions amounting to SAR 61 million.

Net investments in finance lease (current and non-current)

Net investment in finance lease represents the sub-leases given from the finance leases of Herfy. Herfy's finance lease arrangement does not include variable payments.

Net investments in finance lease decreased from SAR 8 million at 31 December 2021G to SAR 7 million at 31 December 2022G mainly driven by payments received amounting to SAR 1.5 million during the same year. Net investments in finance lease decreased from SAR 7 million at 31 December 2022G to SAR 6 million at 31 December 2023G driven by payments received amounting to SAR 1 million during the same year.

Intangible assets

Intangible assets amounted to SAR 13 million at 31 December 2023G and solely related to computer software.

Intangible assets increased from SAR 9 million at 31 December 2021G to SAR 13 million at 31 December 2022G. The increase was mainly due to additions amounting to SAR 6 million, partially offset by an amortization charge amounting to SAR 2 million during the same year. The additions mainly relate to investments in computer software utilized by Herfy. Intangible assets remained stable at SAR 13 million at 31 December 2023G.

Investment properties

Investment properties amounted to SAR 154 million at 31 December 2023G and included land, buildings, machinery and equipment leased to third parties to derive rental income.

Investment property increased from SAR 28 million at 31 December 2021G to SAR 138 million at 31 December 2022G mainly due to transfers from property, plant and equipment amounting to SAR 114 million related to Herfy Tower.

Previously the tower was utilized as a head office for Herfy. However, during 2022G, Herfy rented the tower to a third party.

Investment property increased from SAR 138 million at 31 December 2022G to SAR 154 million at 31 December 2023G mainly due to reclassifications amounting to SAR 12 million made from property, plant, and equipment (previously, the property used to be employee housing and the management's intention is 2023G changed to lease out the building for third parties). This was coupled with finance costs capitalized during the year amounting to SAR 5 million, partly offset by depreciation amounting to SAR 4 million during the same year.

Other non-current assets

Other non-current assets amounted to SAR 3 million at 31 December 2023G and increased from nil at 31 December 2021G to SAR 3 million at 31 December 2022G and remained stable at 31 December 2023G.

Inventories

Inventories amounted to SAR 149 million and mainly comprised of (i) raw materials of SAR 66 million at 31 December 2023G, (ii) operational supplies of SAR 35 million at 31 December 2023G and (iii) spare parts, not held for sale and to be consumed within one year of SAR 27 million at 31 December 2023G.

Inventories increased from SAR 135 million at 31 December 2021G to SAR 178 million at 31 December 2022G as a result of an increase in raw materials by SAR 41 million.

Inventories decreased from SAR 178 million at 31 December 2022G to SAR 149 million at 31 December 2023G mainly due to a decrease in raw materials by SAR 26 million and a decrease in finished goods by SAR 6 million.

Trade, other receivables and prepayments

Trade, other receivables and prepayments amounted to SAR 187 million at 31 December 2023G mainly consists of (i) trade receivables from external parties of SAR 94 million at 31 December 2023G, (ii) advances to suppliers of SAR 41 million at 31 December 2023G, and (iii) prepayments of SAR 36 million at 31 December 2023G.

Trade, other receivables and prepayments decreased from SAR 205 million at 31 December 2021G to SAR 177 million at 31 December 2022G mainly in relation to the following:

a- A decrease in prepayments by SAR 18 million mainly due to a decrease in (i) prepaid government relation expenses by SAR 7 million, (ii) a decrease in prepaid employee benefits by SAR 5 million and (iii) a decrease in prepaid rent by SAR 5 million; and

b- A decrease in advances to suppliers by SAR 15 million

This was partly offset by the increase in gross trade receivables by SAR 14 million during the same period.

Trade, other receivables and prepayments increased from SAR 177 million at 31 December 2022G to SAR 187 million at 31 December 2023G mainly as a result of an increase in trade receivables from external parties by SAR 26 million coupled with an increase in trade receivables from related parties by SAR 2 million. The increase was partially offset by a decrease in advances to suppliers by SAR 15 million and other receivables by SAR 2 million during the same period.

Financial assets held at fair value through profit or loss (FVTPL)

Financial assets held at fair value through profit or loss amounted to nil at 31 December 2023G and SAR 21 million at 31 December 2022G and mainly comprised an investment in Al-Rajhi Commodities Fund which amounted to SAR 20 million at 31 December 2022G in addition to other quoted equity investments.

Financial assets held at fair value through profit or loss (FVTPL) increased from SAR 1 million at 31 December 2021G to SAR 21 million at 31 December 2022G mainly as a result of purchases of shares in Al Rajhi Commodities Fund for an amount of SAR 20 million.

Financial assets held at fair value through profit or loss decreased from SAR 21 million at 31 December 2022G to nil at 31 December 2023G mainly attributed to redemptions / disposals during the year including (i) Al Rajhi Commodities Fund by SAR 20 million, and (ii) quoted equity by SAR 1 million.

Cash and cash equivalents

Cash and cash equivalents amounted to SAR 15 million at 31 December 2023G and mainly comprised cash in banks held in local currency amounting to SAR 9 million, cash in hand amounting to SAR 5 million and cash in foreign currency amounting to SAR 1 million.

Share capital

Share capital comprised of authorized and issued paid-up capital 64.68 million shares of SAR 10 per share each.

Statutory reserve

Statutory reserve increased slightly from SAR 101 million at 31 December 2021G to SAR 102 million at 31 December 2022G driven by transfers amounting to SAR 355 thousand made during the year from retained earnings.

At 31 December 2023G statutory reserves amounted to nil as the new regulations for companies does not require Companies to appropriate statutory reserve. Accordingly, the General Assembly in their meeting held on 18 December 2023G resolved to approve the board of directors' recommendation to amend Herfy's articles of association to remove the requirement of having a statutory reserve. Therefore, the statutory reserve was transferred to retained earnings.

Retained earnings

Retained earnings increased from SAR 295 million at 31 December 2021G to SAR 308 million at 31 December 2022G mainly as a result of profits and other comprehensive income amounting to SAR 4 million and SAR 9 million, respectively.

Retained earnings further increased from SAR 308 million at 31 December 2022G to SAR 387 million at 31 December 2023G mainly driven by transfers from statutory reserve amounting to SAR 101 million and profits for the year amounting to SAR 8 million, partly offset by dividends paid amounting to SAR 32 million.

Lease liabilities

Lease liabilities decreased from SAR 619 million at 31 December 2021G to SAR 585 million at 31 December 2022G mainly as a result of lease payments made during the year amounting to SAR 115 million, which was partially offset by an addition amounting to SAR 44 million and finance costs for the year amounting to SAR 36 million during the same year.

Lease liabilities further decreased from SAR 585 million at 31 December 2022G to SAR 563 million at 31 December 2023G mainly as a result of payments amounting to SAR 116 million partly offset by additions amounting to SAR 61 million, finance costs amounting to SAR 35 million, and disposal amounting to SAR 2 million.

During the year 2022G, Herfy reassessed the accounting treatment of some lease contracts and other transactions/balances recorded in its financial statements in previous periods. As a result, Herfy adjusted and reclassified some comparative figures to correct errors in its financial statements in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" adopted in the Kingdom of Saudi Arabia. The Group did include these adjustments in the consolidated financial statements during the year 2022G, and given it did not have a material impact on the consolidated results.

Employee defined benefits

Provision is made for the end of service benefits for employees in accordance with the Saudi Labor Law for their period of service with Herfy. The provision is calculated by an independent actuary using the Projected Unit Credit Cost Method as per IAS 19 'Employee Benefits'. The defined benefit obligation plan is unfunded.

Employee defined benefits decreased from SAR 102 million at 31 December 2021G to SAR 97 million at 31 December 2022G due remeasurement gain amounting to SAR 9 million coupled with benefits paid during the year amounting to SAR 9 million partly offset by current service and interest cost amounting to SAR 11 million and SAR 3 million respectively.

Employees' end of service benefits increased from SAR 97 million at 31 December 2022G to SAR 99 million at 31 December 2023G due to current service and interest cost amounting to SAR 11 million and SAR 4 million respectively. This was offset by payments made during the year amounting to SAR 12 million.

Borrowings

Borrowings is amounted to SAR 15 million at 31 December 2023G mainly in relation to an obtained facility from a local bank.

Borrowings decreased from SAR 31 million at 31 December 2021G to SAR 16 million at 31 December 2022G due to periodic settlements. The balance is payable in semi-annual instalments over the period of six years. The fair values of the borrowings are not different from their carrying amounts as the interest payable on those borrowings is at market prevailing rates.

Borrowings further decreased from SAR 16 million at 31 December 2022G to SAR 15 million at 31 December 2023G due to the full settlement of the outstanding loan at 31 December 2022G offset by the proceeds received from the new loan in 2023G. These unsecured facilities are repayable in four instalments during a period of one year. The fair value of the borrowing is not different from its carrying value as the interest payable on this borrowing is at prevailing market rates.

The facility agreements include covenants which require the Company to maintain certain financial ratios. As of 31 December 2023, the Company was in compliance with all covenants of the financing agreements.

Trade and other payables

Trade and other payables mainly include SAR 115 million of trade payables to third parties and SAR 55 million of accrued expenses at 31 December 2023G.

Trade and other payables increased from SAR 196 million at 31 December 2021G to SAR 236 million at 31 December 2022G mainly as a result of an increase in trade payables to third parties by SAR 37 million in addition to an increase in accrued expenses by SAR 4 million mainly due to an increase in accrued advertisement during the same period.

Trade and other payables decreased from SAR 236 million at 31 December 2022G to SAR 194 million at 31 December 2023G mainly as a result of a decrease in trade payable to third parties by SAR 34 million and accrued expenses by SAR 10 million.

Zakat payable

Zakat payables decreased from SAR 9 million at 31 December 2021G to SAR 5 million at 31 December 2022G primarily driven by a payment made during the year totaling SAR 5 million.

Zakat payables further decreased to SAR 2 million at 31 December 2023G as a result of a payment made during the year amounting to SAR 5 million which was offset by provision during the same year amounting to SAR 3 million.

7.7.6.3 Cash Flow Statements

Table (7.54): Statement of cash flow for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Restated)	2022G (Audited)	2023G (Audited)
Profit for the year	152	4	11
Adjustments for:			
Depreciation on property, plant and equipment	90	85	85
Impairment loss on non-financial assets	-	18	-
Depreciation on right of use assets	72	78	82
Provision / (reversal) for impairment on financial assets	-	5	(2)
Termination of net investment in financial lease	2	-	-
Amortization of intangible assets	3	2	3
Reversal for impairment on intangible assets	(1)	-	-
Depreciation on investment property	3	4	4
Provision for slow-moving items	1	4	(2)
Gain on financial assets held at fair value through profit or loss	-	(1)	(1)
Provision for employees' post-employment benefits	12	14	15
Gain on disposal of property, plant and equipment	-	(1)	(1)
Finance cost	41	37	32
Total adjustments	**221**	**244**	**216**
Changes in:			
Inventories	(31)	(46)	31

SAR in millions	At 31 December		
	2021G (Restated)	2022G (Audited)	2023G (Audited)
Trade, other receivables and prepayment	(66)	23	(8)
Trade and other payables	23	40	(42)
Cash generated from operating activities	**299**	**264**	**208**
Zakat paid	(5)	(5)	(5)
Employees' defined benefits liabilities paid	(9)	(9)	(12)
Net Cash generated from operating activities	**285**	**251**	**190**
Purchase of property, plant and equipment	(84)	(103)	(66)
Proceeds from the sale of property, plant and equipment	5	1	1
Ancillary finance lease income received	1	2	1
Purchase of intangible assets	(1)	(6)	(2)
Purchase of financial assets held at fair value through profit or loss	(90)	(20)	-
Proceeds from the sale of financial assets held at fair value through profit or loss	92	-	22
Purchase of investment properties	-	-	(3)
Change in non-current assets	-	(3)	-
Net cash used in investing activities	**(75)**	**(130)**	**(46)**
Proceeds from short-term borrowings	-	-	30
Repayment of borrowings	(133)	(15)	(32)
Principle elements of lease payments	(61)	(79)	(81)
Paid finance costs	(39)	(38)	(35)
Dividend paid	(65)	-	(32)
Net cash used in financing activities	**(298)**	**(131)**	**(150)**
Net change in cash and cash equivalents	**(89)**	**(10)**	**(5)**
Cash and cash equivalents at the beginning of the year	119	30	20
Cash and cash equivalents at December 31	**30**	**20**	**15**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Net cash generated from operating activities

Net cash generated from operating activities decreased from SAR 285 million in 2021G to SAR 251 million in 2022G driven by the decline in profit of the year from SAR 152 million in 2021G to SAR 4 million in 2022G partially offset by an increase in change in trade, other receivables and prepayment by SAR 89 million.

Net cash generated from operating activities further decreased from SAR 251 million in 2022G to SAR 190 million in 2023G mainly due to decrease in movement in trade payables by SAR 81 million and an increase in movement in trade and other receivables by SAR 31 million partially offset by a decrease in movement in inventories by SAR 77 million.

Net cash used in investing activities

Net cash used in investing activities increased from SAR 75 million in 2021G to SAR 130 million in 2022G mainly due to the increase in additions of property, plant, and equipment's additions by SAR 19 million mainly related to construction work in progress and purchase of financial assets held at fair value through profit or loss (FVTPL) by SAR 20 million mainly in Al Rajhi Commodities Fund.

Net cash used in investing activities decreased from SAR 130 million in 2022G to SAR 46 million in 2023G. This decrease was primarily attributed to a reduction in additions of property, plant, and equipment throughout the year to SAR 66 million and the redemption of financial assets held at fair value through profit or loss (FVTPL) by SAR 20 million in Al Rajhi Commodities Fund.

Net cash used in financing activities

Net cash used in financing activities decreased from SAR 298 million in 2021G to SAR 131 million in 2022G mainly due the decrease in repayments of borrowings amounting to SAR 118 million and given no dividend paid in 2022G compared to a dividend paid of SAR 65 million in 2021G.

Net cash used in financing activities increased from SAR 131 million in 2022G to SAR 150 million in 2023G primarily driven by dividends paid in 2023G amounting to SAR 32 million.

7.7.7 Results of operations from Afia International Company

7.7.7.1 Statement of Profit or Loss and Other Comprehensive Income

Table (7.55): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	7,188	10,873	10,487	51.3%	(3.5%)	20.8%
Cost of revenues	(6,165)	(9,626)	(8,974)	56.1%	(6.8%)	20.7%
Gross profit	**1,023**	**1,247**	**1,513**	**21.8%**	**21.3%**	**21.6%**
Share of results of equity-accounted investees, net of tax	(36)	(8)	(7)	(78.6%)	(10.6%)	(56.2%)
Selling and distribution expenses	(306)	(345)	(352)	13.0%	2.1%	7.4%
Administrative expenses	(186)	(202)	(291)	8.8%	43.9%	25.1%
Operating profit	**495**	**691**	**862**	**39.5%**	**24.7%**	**31.9%**
Finance income	25	37	90	48.5%	142.1%	89.6%
Finance cost	(143)	(215)	(303)	50.4%	41.2%	45.7%
Net finance cost	**(118)**	**(178)**	**(214)**	**50.8%**	**20.0%**	**34.5%**
Net profit before zakat	**378**	**514**	**649**	**36.0%**	**26.4%**	**31.1%**
Zakat and income tax expense	(81)	(110)	(142)	36.5%	29.1%	32.7%
Net profit for the year	**297**	**403**	**507**	**35.8%**	**25.7%**	**30.7%**

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Other Comprehensive Income / (Loss) for the year						
Items that will not be reclassified to profit or loss						
Re-measurements of defined benefit liability	(1)	(13)	4	1577.0%	(127.5%)	NA
Items that are or may be reclassified subsequently to profit or loss						
Employees' share based payment plan reserve	1	1	-	(2.7%)	(110.6%)	NA
Cash flow hedges – effective portion of changes in fair value	(5)	5	-	(200.0%)	(100.0%)	(100.0%)
Foreign operations – foreign currency translation differences	10	(29)	(213)	(395.6%)	646.3%	NA
Total comprehensive income for the year	**302**	**367**	**297**	**21.4%**	**(19.1%)**	**(0.9%)**
KPIs						
As a % of revenue						
Gross profit [1]	14.2%	11.5%	14.4%	(2.7)	2.9	0.2
Operating profit margin [2]	6.9%	6.4%	8.2%	(0.5)	1.8	1.3
Net profit margin [3]	4.1%	3.7%	4.8%	(0.4)	1.1	0.7

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) Gross profit margin is defined as gross profit divided by revenue, and is a percentage.

(2) Operating profit margin is defined as results from operating activities divided by revenue, and is a percentage.

(3) Net profit margin is defined as profit for the year divided by revenue, and is a percentage.

Revenue

Afia International Company (AIC) derives its revenue predominantly from subsidiaries in Saudi Arabia (c.42.1% of total sales over the 2021-2023G period), Egypt (c.26.2%), Iran (c.21.1%), and Turkey (c.10.7%), through the production, marketing, and distribution of edible oils and related products across both local and international markets.

Revenues increased by SAR 3,685 million (+51.3%) from SAR 7,188 million in 2021G to SAR 10,873 million in 2022G mainly driven by higher oil prices across the region on the back of the increase in underlying commodity prices.

Subsequently, the drop in revenue by SAR 386 million from SAR 10,873 million in 2022G to SAR 10,487 million in 2023G was mainly in line with the normalization of the crude edible oil commodity prices over the period despite a marginal increase in volumes sold in different geographies.

Cost of revenues

Cost of revenues are mainly comprised of (i) direct materials (c.94.6% over the 2021-2023G period), (ii) Salaries, wages, and benefits (c.1.9%), amongst others. Cost of revenues increased by 56.1% from SAR 6,165 million in 2021G to SAR 9,626 million in 2022G mainly driven by higher direct material cost (+SAR 3,397 million) resulting from higher raw material costs which is in line with the higher edible oil commodity prices.

Cost of revenue decreased from SAR 9,626 million in 2022G to SAR 8,974 million in 2023G mainly driven by a drop in direct materials costs (-SAR 652 million) which is in line with the decline in crude edible oil commodity prices over the corresponding period.

Gross margin

Gross margin decreased from 14.2% in 2021G to 11.5% in 2022G and was primarily driven by an increase in the cost of raw material which translated to an increase in selling price, resulting in an increased gross margin in absolute terms but lower in percentage terms. This was coupled with increase in B2B sales and a continued shift towards value-for-money brands which further squeezed the margins in 2022G.

Gross margin increased from 11.5% in 2022G to 14.4% in 2023G, driven by an increase in average selling price during the period particularly in Egypt, decrease in the cost of raw material and effective margin augmentation in both B2C and B2B channels.

Selling and distribution expenses

Selling and distribution mainly comprised of (i) salaries, wages, and other benefits (c.44.4% over the 2021-2023G period), (ii) advertising and sales promotion (c.29.0%), along with (iii) commissions expenses (c.7.5%) amongst others.

Selling and distribution expenses increased by 13.0% from SAR 306 million in 2021G to SAR 345 million in 2022G mainly driven by an increase in (i) salaries, wages and other benefits by SAR 39 million and (ii) advertisements and sales promotion by SAR 37 million, partially offset by a drop in impairment on trade receivables over the period by SAR 27 million.

Selling and distribution expenses increased slightly by SAR 7 million in 2023G reaching SAR 352 million due to general inflationary trend.

Administrative expenses

Administrative expenses were mainly comprised of (i) salaries, wages, and other benefits (c.69% of total administrative costs in 2021-2023G), (ii) depreciation and amortization (c.13%) along with (iii) professional fees (c.9%) amongst others.

Administrative expenses increased by 8.8% from SAR 186 million in 2021G to SAR 202 million in 2022G mainly on the back of an increase in salaries, wages and other benefits amounting to SAR 23 million.

Administrative expenses increased by 44.0% from SAR 202 million in 2022G to SAR 291 million in 2023G mainly on the back of an increase in (i) salaries, wages and other benefits by SAR 29 million and (ii) other administrative expenses by SAR 30 million mainly related to claims by local regulators in certain overseas territories to affect a new pricing mechanism for edible oil products by replacing subsidized rate mechanism.

Finance cost

Finance cost mainly pertained to interest income in bank deposits and finance costs (mainly consisted of financial charges on borrowings, bank commissions, and financial charges on lease liabilities, among others).

Finance costs increased by 50.8% from SAR 118 million in 2021G to SAR 178 million in 2022G mainly due to financial charges on borrowings (+SAR 69 million). Finance costs continued to increase from SAR 178 million in 2022G to SAR 213 million in 2023G mainly driven by the increase in the financial charges on borrowings (+SAR 62 million) on the back of increased interest rates over the period in different geographic markets and net foreign exchange loss (+SAR 28 million) mainly related to devaluation of Egyptian currency.

Zakat and income tax expense

Zakat and income tax expense increased by 36.5% from SAR 81 million in 2021G to SAR 110 million in 2022G following the increase in zakat and foreign income tax provision (by SAR 29 million) due to increase in profit. Zakat and income tax expense further increased by 29.1% to SAR 142 million in 2023G mainly due to increase in profit.

7.7.7.2 Balance Sheets

Table (7.56): Statement of financial position for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Assets			
Property, plant and equipment	844	849	716
Right of use assets	67	60	59
Intangible assets and goodwill	52	36	27
Equity investments	5	-	-
Investments at FVTPL	11	19	34
Deferred tax assets	23	20	37
Long term receivables	1	1	1
Non-current assets	**1,002**	**985**	**874**
Inventory	1,250	1,978	1,607
Trade receivables	916	985	1,014
Prepayments and other receivables	724	705	703
Cash and cash equivalents	705	707	1,076
Current assets	**3,594**	**4,374**	**4,400**
Total Assets	**4,597**	**5,359**	**5,274**
Equity			
Share capital	500	500	500
Statutory reserve	250	250	250
Effect of transactions with non-controlling interests without change in control	(251)	(251)	(251)
Employees' share based payment plan reserves	2	3	3
Cash flow hedge reserve	(5)	-	-
Foreign currency translation reserve	(1,138)	(1,171)	(1,350)
Other reserves	16	16	16
Retained earnings	1,630	1,775	2,056
Equity attributable to owner of the Company	**1,004**	**1,122**	**1,224**
Non-controlling interests	132	169	148
Total equity	**1,136**	**1,291**	**1,372**
Liabilities			
Loans and borrowings	7	1	-
Deferred tax liabilities	48	34	32
Employee benefits	138	152	159
Lease liabilities	43	35	36

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Provision for asset restoration	18	18	19
Non-current liabilities	**253**	**241**	**247**
Loans and borrowings	1,807	1,905	1,665
Trade payables	561	919	916
Accrued expenses and other liabilities	823	984	1,062
Lease liabilities	15	16	11
Liabilities held for sale	-	3	-
Current liabilities	**3,207**	**3,827**	**3,654**
Total liabilities	**3,460**	**4,068**	**3,901**
Total equity and liabilities	**4,597**	**5,359**	**5,274**
KPIs			
DSO (1)	43	35	38
DPO (2)	27	29	39
DIO (3)	11	12	15
CCC (4)	27	18	14
ROA (5)	6.5%	7.5%	9.6%
ROE (6)	26.1%	31.2%	36.9%
Debt to equity (7)	1.60	1.48	1.21

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) The receivables turnover rate (days) is calculated based average gross trade receivables over the group's total revenues during the year.

(2) The accounts payable turnover rate (days) is calculated based on the average trade payables over the cost of material consumed during the year.

(3) Inventory turnover (days) is calculated based on the average finished goods over the cost of goods sold during the year.

(4) Cash turnover rate (days) is calculated based on the aggregate of the accounts receivable turnover rate (days) and inventory turnover rate (days) less the accounts payable turnover rate (days).

(5) Return on assets is calculated as follows: net profit for the year / total assets at the end of the year.

(6) Return on equity is calculated as follows: Net profit for the year / total equity at the end of the year.

(7) Debt to equity is calculated as follows: Loans and borrowings / total equity at the end of the year.

Property, plant, and equipment

Property, plant, and equipment net book value of Afia International Company reached SAR 716 million at 31 December 2023G and was mainly comprised of:

a- Plant and equipment (representing c.49% of total net book value) consisted of piping network, flow meters, gauges valves, civil and steel structure, electrical work (cables, cable trays, cable glands), mechanical modification work and others. These assets are installed in AIC's oil refineries and production lines in different geographies.

b- Buildings (representing c.20% of total net book value) included warehouses, buildings, tanks, staff accommodations, refineries, and other expansions to current facilities.

c- Construction work in progress (representing c.14% of total net book value) progress mainly relates to the upgrading and expansion of the production facilities at various sites.

d- Land (representing c.12% of total net book value) represents parcels of land where the owned facilities and refineries are situated.

The net book value of property, plant and equipment increased from SAR 844 million at 31 December 2021G to SAR 849 million at 31 December 2022G in line with additions amounting to SAR 53 million. This was coupled with hyperinflation adjustment amounting to SAR 95 million related to property, plant and equipment assets in Turkey, Sudan and Iran. This was partly offset by (i) the effect of movement in exchange rates by SAR 54 million given the devaluation of Egyptian pound and (ii) depreciation charged amounting to SAR 86 million during the same period.

Net book value of property plant and equipment decreased from SAR 849 million at 31 December 2022G to SAR 716 million at 31 December 2023G driven by depreciation charged during the year amounting to SAR 96 million, coupled with a hyperinflation negative adjustment amounting to SAR 91 million and effect of movement in exchange rate by SAR 13 million. This was partly offset by additions amounting to SAR 67 million, including construction work in progress amounting to SAR 46 million, mainly in connection with upgrading and enhancing production facilities.

Right of use assets

Right of use assets reached SAR 59 million at 31 December 2023G and was mainly comprised of (i) buildings amounting to SAR 35 million, (ii) land amounting to SAR 22 million and (iii) vehicles amounting to SAR 2 million.

Right of use assets decreased from SAR 67 million at 31 December 2021G to SAR 60 million at 31 December 2022G driven by depreciation charges during the same period.

Right of use assets remained relatively stable at SAR 60 million between 31 December 2022G and 31 December 2023G.

Intangible assets and goodwill

Intangible assets and goodwill reached SAR 27 million at 31 December 2023G and comprised of goodwill arising from historical acquisitions.

Intangible assets and goodwill decreased from SAR 52 million at 31 December 2021G to SAR 36 million at 31 December 2022G mainly due to a decrease in goodwill by SAR 11 million given the devaluation of local currencies for entities located in Egypt and Turkey.

Intangibles assets and goodwill decreased from SAR 36 million at 31 December 2022G to SAR 27 million at 31 December 2023G mainly due to a decrease in goodwill by SAR 7 million given the devaluation of Egyptian pound and Turkish Lira for entities located in Egypt and Turkey.

Equity investments

Equity investments amounted to SAR 5 million at 31 December 2021G and is mainly related to investments in KASCO (Iraq). During 2022G, the losses incurred in KASCO amounting to SAR 8 million exceeded the investment amount, hence the balance was reclassified to accrued expenses and other current liabilities.

It is worth noting that the Company sold its investment in KASCO during the year ended December 31, 2023G with the net impact on Profit or loss amounting to SAR 0.2 million.

Deferred tax assets

Deferred tax assets are recorded on all temporary differences between the tax bases of assets and their carrying amounts at year end. Deferred tax assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries.

Deferred tax assets decreased from SAR 23 million at 31 December 2021G to SAR 20 million at 31 December 2022G mainly due the devaluation of the Egyptian Pound and Turkish Lira.

Deferred tax assets increased from SAR 20 million at 31 December 2022G to SAR 37 million at 31 December 2023G mainly due to the increase in deferred tax asset in KUGU by SAR 11 million and AICE by SAR 6 million given the increase in provisions / losses during 2023G.

Long term receivables

Long term receivables include deposits for energy utilities such as gas, electricity, and water. Long term receivables remained relatively stable at SAR 1 million across 2021G-2023G.

Inventory

Inventory amounted to SAR 1,607 million at 31 December 2023G and included:

a- Raw materials and packing material amounting to SAR 742 million namely such as such as crude edible oil and other raw materials;

b- Goods in transit amounting to SAR 444 million;

c- Finished products amounting to SAR 378 million and mainly included available for sale food products such as palm oil, sunflower oil, and olive oil. The products are packaged in different bottle sizes and weights based on consumer preference; and

d- Other inventory components such as spare parts and supplies amounting to SAR 45 million, and work in progress amounting to SAR 13 million.

Inventories increased from SAR 1,250 million at 31 December 2021G to SAR 1,978 million at 31 December 2022G driven by the increase in raw materials by SAR 524 million namely in Saudi Arabia and other territories given the increase in edible oil commodity prices and higher purchases in anticipation of increased demand arising from the approaching Ramadan season. Additionally, goods in transit increased by SAR 64 million during the same period, affected by the time of shipment of goods.

Inventories decreased to SAR 1,607 million at 31 December 2023G driven by the decrease in edible oil prices on the back of lower underlying edible oil commodity prices coupled with the devaluation of the Egyptian Pound and other currencies thus decreasing the inventories carried in the respective countries.

Trade receivables

Trade receivables amounted to SAR 1,014 million at 31 December 2023G mainly consisted of balances due from various local and foreign customers (food distributers, supermarkets, retailers and others) amounting to SAR 1,010 million at 31 December 2023G in connection with the sale of edible oil and other related products. Trade receivables also included balances due from related parties amounting to SAR 92 million at 31 December 2023G, and allowance for impairment losses amounting to SAR 87 million.

Trade receivables increased from SAR 916 million at 31 December 2021G to SAR 985 million at 31 December 2022G in line with the 51.3% increase in revenue. This was partly offset by decrease in receivables from related parties amounting to SAR 3 million.

Trade receivables increased further from SAR 985 million at 31 December 2022G to SAR 1,014 million at 31 December 2023G mainly due to the increase in balances due from third-party receivables by SAR 29 million mainly due to the increase in revenues. This was partly offset by the increase in allowance for impairment losses by SAR 11 million.

Prepayments and other receivables

Prepayments and other receivables amounted to SAR 703 million at 31 December 2023G and comprised of due from related parties amounting to SAR 277 million, advances to vendors amounting to SAR 228 million, receivable from government authorities amounting to SAR 74 million, prepaid rent and expenses amounting to SAR 39 million and others.

Prepayments and other current assets decreased from SAR 724 million at 31 December 2021G to SAR 705 million at 31 December 2022G mainly attributable to (i) the decrease in receivables from related parties by SAR 104 million namely from Savola Food Company in line with full settlement/adjustment of the balance during the same period, partially offset by (i) an increase in advances to vendors and others by SAR 60 million mainly due to the increase in inventory purchases made towards year-end and (ii) increase in others by SAR 19 million mainly related to advance payment made to competition commission in Turkey.

Prepayments and other current assets have remained stable from SAR 705 million at 31 December 2022G to SAR 703 million at 31 December 2023G.

Cash and cash equivalents

Cash and cash equivalents amounted to SAR 1,076 million at 31 December 2023G and mainly included term deposits, bank balances and cash in hand. Short-term deposits are held with commercial banks and yield commission income at prevailing market rates.

Share capital

Share capital amounted to SAR 500 million at 31 December 2023G, and consists of 50 million fully paid shares of SAR 10 each. Share capital remained stable between 31 December 2021G and 31 December 2023G.

Statutory reserve

Statutory reserve amounted to SAR 250 million at 31 December 2023G. In accordance with AIC's Bylaws, AIC transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the AIC.

Effect of transactions with non-controlling interests without change in control

Effect of transactions with non-controlling interests without change in control amounted to SAR 251 million at 31 December 2023G.

Effect of transactions with non-controlling interests without change in control represents changes in the AIC's ownership interest in subsidiaries that does not result in a change in control. Transactions with non-controlling interests without change in control remained stable between 31 December 2021G and 31 December 2023G as AIC did not change ownership interest in non-controlling entities.

Employees' share based payment plan reserves

Employees' share based payment plan reserves amounted to SAR 3 million at 31 December 2023G and mainly consists of the reserve for the long-term incentive program for the benefit of certain eligible senior executives of AIC.

Cash flow hedge reserve

Cash flow hedge reserve amounted to SAR 5 million at 31 December 2021G represents the equity reserve used to record gains or losses from hedging instruments (derivatives) in Turkey against the oil purchases.

Foreign currency translation reserve

Foreign currency translation reserve amounted to SAR 1,350 million at 31 December 2023G and is used to capture the unrealized gains or losses arising from translating the financial statements of foreign subsidiaries (mainly Turkey, Iran, and Egypt) into Saudi Arabian Riyal. Foreign currency translation reserve increased from a deficit of SAR 1,138 million at 31 December 2021G to a deficit of SAR 1,171 million at 31 December 2022G and further to a deficit of SAR 1,350 million at 31 December 2023G in line with the devaluation of currencies (Turkish Lira, Egyptian Pound, and Iranian Riyal) during the period.

Other reserves

Other reserves amounted to SAR 16 million and mainly related to merger reserves post-merger of ADC and AICA in 2021G. The reserve remained stable over 2021G-2023G.

Retained earnings

Retained earnings increased from SAR 1,630 million at 31 December 2021G to SAR 1,775 million at 31 December 2022G driven by profits amounting to SAR 357 million partly offset by other comprehensive loss amounting to SAR 12 million and dividends paid amounting to SAR 200 million.

Retained earnings further increased to SAR 2,056 million at 31 December 2023G attributable to profits generated amounting to SAR 478 million coupled with other comprehensive income (actuarial gain) amounting to SAR 4 million which is partly offset by dividends paid amounting to SAR 200 million.

Non-controlling interests

Non-controlling interest amounted to SAR 148 million at 31 December 2023G and represents minority ownership shares in Iran operations.

Non-controlling interest increased from SAR 132 million at 31 December 2021G to SAR 169 million at 31 December 2022G followed by a decrease at 31 December 2023G to SAR 148 million, in line with the share of results, reserves and dividends from / to minority ownership.

Deferred tax liabilities

Deferred tax liabilities amounted to SAR 32 million at 31 December 2023G. The balance is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred tax liability decreased from SAR 48 million at 31 December 2021G to SAR 34 million at 31 December 2022G and further to SAR 32 million at 31 December 2023G mainly due to devaluation of Egyptian pound during the period.

Employee benefits

Employee benefits amounted to SAR 159 million at 31 December 2023G. The Group operates an approved unfunded employees' end of service benefits plans for its permanent employees as required by the respective Labor law of the countries in which it operates.

Employee benefits increased from SAR 138 million at 31 December 2021G to SAR 152 million at 31 December 2022G mainly driven by current service cost and interest cost amounting to SAR 27 million, and actuarial loss amounting to SAR 13 million partly offset by payments amounting to SAR 19 million and negative effect of movement in exchange rates amounting to SAR 7 million.

Employee benefits further increased from SAR 152 million at 31 December 2022G to SAR 159 million at 31 December 2023G mainly driven by charges (interest and service cost) amounting to SAR 28 million and actuarial loss of SAR 4 million, partly offset by negative effect of movement in exchange rate amounting to SAR 14 million, and payments amounting to SAR 8 million.

Lease liabilities

Lease liabilities amounted to SAR 47 million at 31 December 2023G. The balance decreased from SAR 59 million at 31 December 2021G to SAR 51 million at 31 December 2022G mainly driven by payments made during the year amounting to SAR 12 million and negative effect in movement in exchange rate amounting to SAR 8 million, partly offset by lease additions amounting to SAR 9 million in connection with vehicles and warehouses, and interest expense amounting to SAR 3 million during the same year.

Lease liabilities decreased further to SAR 47 million at 31 December 2023G mainly driven by payments of SAR 22 million and lease terminations of SAR 4 million, partly offset by lease additions amounting to SAR 21 million mainly related to warehouses and effect of negative movement in exchange rates amounting to SAR 2 million.

Provision for asset restoration

Provision against asset restoration reached SAR 19 million at 31 December 2023G and is mainly against site restoration in respect of AIC's obligation to restore the properties (mainly Afia factory in KSA) at their original condition. The provision against site restoration remained more or less stable over 2021G-2023G.

Loans and borrowings

Loans and borrowings amounted to SAR 1,665 million at 31 December 2023G mainly included short and long-term loans. These represent borrowings obtained from commercial banks and other financial. These borrowings are in Saudi Riyals, Egyptian Pounds, Turkish Lira, US Dollars and Iranian Riyals. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are secured by corporate guarantees of the Group.

Loans and borrowings increased from SAR 1,814 million at 31 December 2021G to SAR 1,906 million at 31 December 2022G mainly driven by the increase in outstanding short-term loans which typically range between 1 month and 1 year. The major increase relates to finance the purchase of inventories, partly offset by contractual repayments, coupled with the devaluation in overseas markets.

Loans and borrowings decreased from SAR 1,906 million at 31 December 2022G to SAR 1,665 million at 31 December 2023G mainly due to contractual repayments, coupled with the devaluation in overseas markets.

Trade payables

Trade payable amounted to SAR 916 million at 31 December 2023G comprised balances due to various oil and other related food suppliers.

Trade payables increased from SAR 561 million at 31 December 2021G to SAR 919 million at 31 December 2022G given the increase in inventory purchases towards year-end in anticipation for Ramadan Season which took place during the period ending 31 March 2023G and higher edible oil commodity prices. The balance remained relatively stable between 31 December 2022G and 31 December 2023G.

Accrued expenses and other liabilities

Accrued expenses and other liabilities amounted to SAR 1,062 million at 31 December 2023G and mainly consisted of accrued expenses amounting to SAR 227 million, marketing related accruals amounting to SAR 251 million, accrued zakat and income tax amounting to SAR 225 million, employee related accruals amounting to SAR 105 million and others.

Accrued expenses and other current liabilities increased from SAR 823 million at 31 December 2021G to SAR 984 million at 31 December 2022G mainly driven by the increase in (i) balances due to related parties from nil to SAR 65 million mainly related to commission payable to Commodity Sourcing Company and the Group, (ii) accrued zakat and income tax by SAR 26 million as a result of the increase in income tax in overseas markets, (iii) marketing related accruals by SAR 21 million stemming from the increase in marketing expenses and (iv) employee related accruals by SAR 22 million stemming from accrued bonus accruals and employee accruals in Saudi Arabia and Iran.

Accrued expenses and other current liabilities increased from SAR 984 million at 31 December 2022G to SAR 1,062 million at 31 December 2023G mainly due to the increase in (i) accrued expense by SAR 26 million given the additional provision in connection with claims by local regulators in certain overseas territories to affect a new pricing mechanism for edible oil products by replacing subsidized rate mechanism (ii) increase in accrued zakat and income tax by SAR 87 million driven by the increase in AIC's overall profitability, (iii) increase in others by SAR 59 million in connection with increase in notes payable pertaining to crude oil purchases. The increase was partly offset by a decrease in (i) amounts due to related parties by SAR 64 million mainly due to settlement / adjustment of the outstanding balances, and (ii) marketing related accruals by SAR 23 million due to optimization of marketing spending.

Liabilities held for sale

Liabilities held for sale amounted to SAR 3 million at 31 December 2022G and is mainly related to the sale of the investment in United Edible Oils Holding Limited (the accumulated losses exceed the cost of its investment).

7.7.7.3 Cash Flow Statements

Table (7.57): Statement of cash flow for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Profit for the year	297	403	507
Adjustments for:			
Depreciation on property, plant and equipment	80	86	96
Depreciation on right-of-use asset	17	17	18

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Amortization of intangible assets	6	4	2
Net finance cost	118	178	213
Zakat and income tax expense	81	110	142
Gain / (loss) on sale of property, plant and equipment	0	(0)	0
Loss/(Gain) on disposal of investment	-	-	(0)
Share of results of equity-accounted investees, net of tax	36	8	7
Changes in:			
Inventories	(541)	(986)	147
Trade receivables	(246)	(226)	(154)
Prepayments and other receivables	(56)	(54)	204
Trade payables	232	501	160
Employee benefits	1	9	17
Accrued and other liabilities	137	193	(207)
Cash generated from operating activities	**162**	**245**	**1,152**
Zakat and income tax paid	(56)	(48)	(50)
Finance cost paid	(129)	(180)	(221)
Net Cash generated from / (used in) operating activities	**(23)**	**16**	**882**
Acquisition of property, plant and equipment	(83)	(53)	(67)
Acquisition of intangible assets-software	(3)	(1)	(0)
Proceeds from sale of property, plant and equipment	0	6	1
Net cash used in investing activities	**(85)**	**(49)**	**(67)**
Net change in loans and borrowings - current	551	393	23
Net change in loans and borrowings - non-current	(155)	(3)	(1)
Payment of lease liabilities	(15)	(12)	(22)
Dividend paid to non-controlling interests	(12)	(12)	(16)
Net funds withdrawn from Savola Group Company (ultimate parent) treasury	(6)	3	(18)
Net changes in bank deposits with maturity more than three months	(40)	(15)	(46)
Dividends paid	(200)	(200)	(200)
Net cash generated from financing activities	**122**	**154**	**(280)**
Net change in cash and cash equivalents	**13**	**122**	**535**
Effect of movements in exchange rates on cash and cash equivalents	0	(81)	(63)
Cash and cash equivalents at January 1	17	31	71
Cash and cash equivalents at December 31	**31**	**71**	**544**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Net cash generated from / (used in) operating activities

Net cash generated from operating activities increased by SAR 39 million from 2021G to SAR 16 million in 2022G mainly due to (i) increase in profit and non-cash adjustments by SAR 172 million, (ii) increase in movement in trade payables amounting by SAR 269 million, (iii) increase in movement in accruals and other liabilities by SAR 57 million which mainly pertain to an increase in due to related parties amounting to SAR 65 million in 2022G. The increase in cash from operating activities was partially offset by the increase in cash outflows from an increase in movement in inventory by SAR 445 million relating to higher cost and purchase of inventory during 2022G, which is mainly due to increase in global commodity prices, coupled with increased purchases made towards year-end in anticipation of the approaching Ramadan Season.

Net cash generated from operating activities further increased from SAR 16 million in 2022G to SAR 882 million in 2023G mainly due to (i) increase in profit and non-cash adjustments by SAR 178 million in 2023G, (ii) cash inflow from the decrease in movement of inventory by SAR 1,133 million given the decrease in edible oil commodity prices, and (iii) increase in movement in prepayments and other receivables by SAR 258 million in 2023G. The increase in net cash generated from operating activities was partially offset mainly due to (i) changes in trade payables by SAR 341 million, and (ii) an increase in payments made relating to finance costs amounting to SAR 41 million in 2023G.

Net cash used in investing activities

Net cash used in investing activities decreased from SAR 85 million in 2021G to SAR 49 million in 2022G primarily due to the lower acquisition of property, plant and equipment relating to construction work in progress and equipment, furniture and fixtures reaching to SAR 53 million partially offset by the increase in proceeds from disposal of property, plant and equipment amounting to SAR 6 million during 2022G.

Net cash used in investing activities increased from SAR 49 million in 2022G to SAR 67 million in 2023G mainly due to the increase in acquisition of property, plant and equipment to SAR 14 million, and the decrease in proceeds from the disposal of property, plant and equipment by SAR 5 million in 2023G.

Net cash generated from / (used in) financing activities

Net cash generated from financing activities increased from SAR 122 million cash generated from financing activities in 2021G to SAR 154 million in 2022G mainly due to the decrease in movement in bank deposits with maturity more than three months by SAR 26 million.

Net cash generated from financing activities decreased from SAR 154 million in 2022G to net cash used in financing activities of SAR 280 million at 2023G, mainly due to a decrease in net change in current loans and borrowings amounting to SAR 370 million in 2023G, amongst others.

7.7.8 Results of operations from Savola Industrial Investment Company

7.7.8.1 Statement of Profit or Loss and Other Comprehensive Income

Table (7.58): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	2,925	3,229	3,606	10.4%	11.6%	11.0%
Cost of revenues	(2,698)	(2,919)	(3,158)	8.2%	8.2%	8.2%
Gross profit	**228**	**311**	**447**	**36.5%**	**43.8%**	**40.1%**
Share of results of equity-accounted investees, net of tax	4	(13)	(31)	(427.5%)	131.7%	NA
Selling and distribution expenses	(51)	(61)	(78)	20.4%	26.6%	23.4%

SAR in millions	Financial year 2021G (Audited)	Financial year 2022G (Audited)	Financial year 2023G (Audited)	Annual Variance 2021G - 2022G	Annual Variance 2022G - 2023G	CAGR 2021G - 2023G
Administrative expenses	(54)	(51)	(80)	(5.8%)	58.2%	22.1%
Operating profit	**127**	**185**	**258**	**45.9%**	**39.2%**	**42.5%**
Finance income	32	10	19	(69.5%)	94.2%	(23.0%)
Finance cost	(42)	(81)	(154)	92.3%	91.0%	91.7%
Net finance cost	**(10)**	**(71)**	**(135)**	**632.9%**	**90.6%**	**273.7%**
Impairment on equity accounted investment	(44)	(15)	159	(65.9%)	(1167.1%)	NA
Net profit before zakat	**74**	**99**	**281**	**34.8%**	**183.4%**	**95.5%**
Zakat	(1)	(2)	(42)	265.0%	1649.9%	699.2%
Net profit for the year	**73**	**97**	**239**	**32.8%**	**146.6%**	**80.9%**
Other Comprehensive Income / (Loss) for the year						
Items that will not be reclassified to profit or loss						
Re-measurements of defined benefit liability	(1)	(0)	1	(80.6%)	(507.5%)	NA
Items that are or may be reclassified subsequently to profit or loss						
Foreign operations – foreign currency translation differences	(1)	(24)	(11)	2424.5%	(52.9%)	244.8%
Cash flow hedges – effective portion of changes in fair value	(3)	(10)	(21)	246.1%	103.8%	165.6%
Equity-accounted investee - share of other comprehensive income	0	(4)	(10)	(1730.2%)	113.3%	NA
Other comprehensive income / (loss) for the year	**(5)**	**(39)**	**(41)**	**684.9%**	**3.5%**	**185.0%**
Total comprehensive income for the year	**68**	**57**	**198**	**(15.4%)**	**244.5%**	**70.8%**
KPIs						
As a % of revenue						
Gross profit (1)	7.8%	9.6%	12.4%	1.8	2.8	4.6
Operating profit margin (2)	4.3%	5.7%	7.1%	1.4	1.4	2.8
Net profit margin (3)	2.5%	3.0%	6.6%	0.5	3.6	4.1

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) Gross profit margin is defined as gross profit divided by revenue, and is a percentage.

(2) Operating profit margin is defined as results from operating activities divided by revenue, and is a percentage.

(3) Net profit margin is defined as profit for the year divided by revenue, and is a percentage.

Revenue

Revenue over 2021-2023G was mainly generated from the sale of sugar, molasses, and pulp. Revenues increased from SAR 2,925 million in 2021G to SAR 3,229 million in 2022G, mainly due to an increase in prices by SAR 390/MT in line with hike in sugar commodity prices over the period, partially offset by a drop in volumes sold by 115 thousand MT over the period majorly related to USCA. Sugar revenues increased back to SAR 3,606 million in 2023G primarily due to higher average selling price as compared to the previous year by +SAR 436/MT in line with hike in sugar commodity prices partially offset by a further drop in volumes sold by 77 thousand MT which is related to USCA due to production issues that were subsequently resolved.

Cost of revenue

Cost of revenue mainly comprised of direct materials (averaged c.85% over 2021-2023G), employee costs (c.5%) hedging losses (4%), and others. Cost of revenue increased from SAR 2,698 million in 2021G to SAR 2,919 million in 2022G and further to SAR 3,158 in 2023G at a steady 8.2% year on year.

a- 2022G increase is primarily driven by the increase in direct materials amounting to SAR 292 million which was mainly on the back of higher raw material prices, partly offset by a decrease in employee costs amounting to SAR 43 million related to Sugar Egypt operations, amongst other expenses;

b- 2023G increase is mainly driven by the increase in direct materials cost amounting to SAR 209 million mostly on the back of higher raw material prices amongst others.

Share of results of EAI, net of tax

Share of results of EAI, net of tax mainly pertained to the share of results of SIIC's equity-accounted investees (USCE). The share of results of EAI, net of tax decreased by SAR 17 million from SAR 4 million in 2021G to a loss of SAR 13 million in 2022G mainly resulting from the operational and rolling pipeline losses incurred by USCE.

The share of results decreased from a loss of SAR 13 million in 2022G to a loss of SAR 31 million in 2023G primarily attributed to operational challenges and foreign currency exchange losses and rolling pipeline losses.

Selling and distribution expenses

Selling and distribution expenses mainly comprised of service fees (averaged c.58% over the 2021-2023G period), advertisement expenses (c.21%), employee costs (c.20%), among others.

Selling and distribution expenses increased from SAR 51 million in 2021G to SAR 61 million in 2022G mainly due to an increase in service fees amounting to SAR 9 million.

Selling and distribution expenses increased from SAR 61 million in 2022G to SAR 78 million in 2023G mainly due to an increase in service fees amounting to SAR 15 million which includes provision related to non-recoverability of trade receivables due to current economic conditions in Egypt.

Administrative expenses

Administrative expenses mainly comprised of employee costs (averaged c.36% over 2021-2023G), service fees (c.28%), amongst others.

Administrative expenses remained fairly stable during 2021-2022G, but increased by SAR 30 million in 2023G mainly due to operational contingencies and adjustment for asset recoveries, on account of the prevalent economic situation in Egypt.

Impairment of equity-accounted investments

Impairment of equity-accounted investments in 2021G and 2022G was recorded at -SAR 44 million and -SAR 15 million, respectively, primarily due to adjustments in the carrying value of USCE to reflect its fair value.

Impairment of equity-accounted investments decreased from SAR 15 million in 2022G to a reversal of SAR 159 million and consisted of an impairment reversal on ASCE property, plant and equipment amounting to SAR 160 million due to consistent and considerable improvement in ASCE's results, partly off-set by impairment loss on investment in USCE amounting to SAR 1 million.

Net finance costs

Net finance costs mainly pertained to finance income (consisted of interest income in bank deposits, gain on re-measurement of futures contracts – unhedged, and positive fair value of options) and finance costs (mainly consisted of financial charges on borrowings, bank commissions, financial charges on lease liabilities, among others). Net finance costs increased from SAR 10 million in 2021G to SAR 71 million in 2022G mainly driven by the increase in fair value of options liability amounting to SAR 38 million due to reduction of fair value of underlying asset (i.e. Investment in associate – USCE) and loss on re-measurement of future contracts – unhedged amounting to SAR 29 million, partly offset by the increase in interest income on bank deposits amounting to SAR 8 million.

Net finance costs continued to increase from SAR 71 million in 2022G to SAR 135 million in 2023G mainly driven by the further increase in loss on re-measurement of futures contracts – unhedged amounting to SAR 37 million and negative fair value of options amounting to SAR 47 million due to reduction of fair value of underlying asset (i.e. Investment in associate – USCE), partly offset by an increase in the interest income on bank deposits by an amount of SAR 9 million, amongst others.

7.7.8.2 Balance Sheets

Table (7.59): Statement of financial position for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Assets			
Property, plant and equipment	731	586	690
Right-of-use assets	155	160	147
Goodwill	15	15	15
Equity-accounted investee	170	136	93
Non-trading derivative	2	-	-
Long term receivables	5	5	6
Deferred tax asset	4	8	8
Non-current assets	**1,082**	**910**	**959**
Inventories	398	473	420
Positive fair value of derivatives	117	73	300
Non-trading derivative	-	0	-
Trade receivables	310	329	466
Prepayments and other receivables	231	326	310
Cash and bank balances	21	100	140
Current assets	**1,078**	**1,301**	**1,636**
Total Assets	**2,159**	**2,211**	**2,595**
Equity			
Share capital	206	206	206
Additional paid-in capital	43	43	43
Statutory reserve	102	102	102
Effect of transactions with non-controlling interests without change in control	(106)	(106)	(106)
Foreign currency translation reserve	(51)	(61)	(66)
Cashflow hedge reserve	2	(9)	(31)

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Retained earnings	236	201	278
Equity attributable to owners of the Company	**433**	**377**	**426**
Non-controlling interests	64	79	199
Total equity	**497**	**456**	**625**
Liabilities			
Loans and borrowings	70	15	150
Lease liabilities	107	114	98
Employee benefits	67	69	70
Non-trading derivative	122	-	-
Provision against asset restoration	52	54	56
Deferred tax liability	49	31	26
Non-current liabilities	**468**	**283**	**400**
Loans and borrowings	285	55	68
Lease liabilities	12	6	13
Trade payables	374	732	413
Non-trading derivative	-	139	205
Negative fair value of derivatives	32	117	247
Accrued and other liabilities	491	423	626
Current liabilities	**1,194**	**1,472**	**1,571**
Total liabilities	**1,662**	**1,755**	**1,971**
Total equity and liabilities	**2,159**	**2,211**	**2,595**
KPIs			
DSO (1)	37	37	41
DPO (2)	57	82	74
DIO (3)	17	9	10
CCC (4)	(3)	(36)	(23)
ROA (5)	3.4%	4.4%	9.2%
ROE (6)	14.7%	21.2%	38.2%
Debt to equity (7)	0.71	0.15	0.35

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

(1) The receivables turnover rate (days) is calculated based average gross trade receivables over the group's total revenues during the year.

(2) The accounts payable turnover rate (days) is calculated based on the average trade payables over the cost of materials consumed during the year.

(3) Inventory turnover (days) is calculated based on the average finished goods over the cost of goods sold during the year.

(4) Cash turnover rate (days) is calculated based on the aggregate of the accounts receivable turnover rate (days) and inventory turnover rate (days) less the accounts payable turnover rate (days).

(5) Return on assets is calculated as follows: net profit for the year / total assets at the end of the year.

(6) Return on equity is calculated as follows: Net profit for the year / total equity at the end of the year.

(7) Debt to equity is calculated as follows: Loans and borrowings / total equity at the end of the year.

Property, plant, and equipment

Property, plant, and equipment net book value of SIIC amounted to SAR 690 million at 31 December 2023G and was mainly comprised of:

a- plant and equipment (c.88%) and consisted of piping network, flow meters, gauges valves, civil and steel structure, electrical work (cables, cable trays, cable glands), mechanical modification work, steam boilers and others. These assets are installed in SIIC's sugar refineries in different geographies.

b- buildings (representing c.9% of total net book value) and comprised civil works, installations, repairs, fit outs, and other developer work executed on SIIC's buildings.

c- construction work in progress (c.2%) relates to installation of new machinery in Jeddah's factory and upgrading and enhancing the production and logistic facilities of certain subsidiaries.

Property, plant, and equipment decreased from SAR 731 million at 31 December 2021G to SAR 586 million at 31 December 2022G driven by (i) negative FX movement (mainly due to significant devaluation in Egyptian pound) of SAR 130 million, (ii) depreciation charged during the year amounting to SAR 63 million. The decrease was partly offset by additions amounting to SAR 53 million mainly related to construction work in connection of upgrading and enhancing production facilities.

Net book value of property plant and equipment increased from SAR 586 million at 31 December 2022G to SAR 690 million at 31 December 2023G driven by further construction work in progress of SAR 45 million and impairment reversal adjustment of SAR 160 million recognized against ASCE, partially offset by negative FX movement of SAR 44 million and depreciation charged during the year of SAR 57 million.

Right-of-use assets

Right-of-use of assets amounted to SAR 147 million at 31 December 2023G mainly comprised of leased lands amounting to SAR 135 million, comprising mainly Jeddah ports which is utilized as a production facility for Sugar (the lease expires in 2039G), alongside minor lease contracts for buildings and vehicles amounting to SAR 12 million.

Right of use of assets increased from SAR 155 million at 31 December 2021G to SAR 160 million at 31 December 2022G driven mainly by (i) Alexandria United Company for Land Reclamation whereby a lease contract is signed with the lessor up till 2041G (prior to 2022G this was treated as short term lease contract outside the scope of IFRS16) and is used to conduct beet cultivation activities, and (ii) land transfers from property, plant and equipment amounting to SAR 5 million. However, this was partially offset by (i) depreciation charges amounting to SAR 14 million and (ii) negative movement in exchange rates amounting to SAR 11 million during the same year.

Right of use assets decreased from SAR 160 million at 31 December 2022G to SAR 147 million at 31 December 2023G following periodic depreciation amounting to SAR 14 million coupled with net disposals/terminations amounting to SAR 10 million mainly related to leased buildings. This was partly offset by additions amounting to SAR 14 million mainly related to building amounting to SAR 8 million and forklift vehicles amounting to SAR 6 million.

Goodwill

Goodwill remained unimpaired at SAR 15 million at 31 December 2023G and comprised historical acquisitions related to USC.

Equity-accounted investee

Equity-accounted investees amounted to SAR 93 million at 31 December 2023G and solely related to the investment in United Sugar Company Egypt (USCE) through an ownership interest of 31.15%. Equity accounted investees decreased from SAR 170 million at 31 December 2021G to SAR 136 million at 31 December 2022G driven by the share of losses incurred amounting to SAR 13 million, coupled with an impairment charge amounting to SAR 15 million amongst other negative adjustments amounting to SAR 6 million.

Equity accounted investees decreased to SAR 93 million at 31 December 2023G given the share of losses incurred in USCE amounting to SAR 31 million coupled with impairment losses amounting to SAR 1 million and other negative adjustments amounting to SAR 10 million related to cashflow hedge and currency translation reserves.

Losses incurred by USCE during 2022G and 2023G are primarily attributed to macro-economic factors and operational challenges.

Non-trading derivative (current and non-current asset)

Non- trading derivatives mainly comprised of a call option to purchase all the shares held by EBRD in USCE. During 2023G, an addendum was signed whereby the right to exercise the call option has ended.

Non-trading derivatives decreased from SAR 2 million at 31 December 2021G to SAR 19,000 at 31 December 2022G due to the change in fair value of the call options. As at 31 December 2023G the balance decreased to nil in line with the signed addendum with EBRD where the right to exercise call option has ended.

Long term receivables

Long term receivables amounted to SAR 6 million at 31 December 2023G and mainly consisted of utilities guarantee deposits as per Egypt law. Long term receivables remained stable over 2021G-2023G.

Deferred tax asset

Deferred tax asset reached SAR 8 million at 31 December 2023G mainly related to Sugar Egypt and it remained stable over the review period.

Inventories

Inventories amounted to SAR 420 million at 31 December 2023G and included:

- a- Raw materials and packing amounting to SAR 213 million that mainly comprises of raw sugar of SAR 198 million, and other raw materials such as inventory chemicals, packaging materials and others;
- b- Finished products amounting to SAR 112 million mainly included available for sale sugar and other products including molasses. The products are packaged in different sizes and weights based on consumer preference;
- c- Other inventory components, such as spare parts and supplies amounting to SAR 78 million, work in progress amounting to SAR 37 million, and goods in transit amounting to SAR 6 million; and
- d- A provision amounting to SAR 25 million is recorded for obsolete and slow-moving inventory items.

Inventories increased from SAR 398 million at 31 December 2021G to SAR 473 million at 31 December 2022G driven by the increase in raw materials amounting to SAR 84 million, mainly in Saudi Arabia due to higher inventory purchases in anticipation of increased demand arising from the approaching Ramadan season in early 2023G. Additionally, work in progress increased by SAR 16 million during the same period.

Inventories decreased to SAR 420 million at 31 December 2023G mainly due to the decrease in good in transit by SAR 86 million.

Positive fair value of derivatives

Positive fair value of derivatives amounted to SAR 300 million at 31 December 2023G and solely relates to future exchange commodity contracts to hedge against the inventory price risk on raw sugar.

Positive fair value of derivatives decreased from SAR 117 million at 31 December 2021G to SAR 73 million at 31 December 2022G and increased to SAR 300 million at 31 December 2023G mainly due to a combination of factors that include fluctuation in underlying commodity price since the time of entering the contract, volume, and time to contract expiry; among other factors.

Trade receivables

Trade receivables amounted to SAR 466 million at 31 December 2023G mainly consisted of balances due from various local and foreign customers amounting to SAR 286 million at 31 December 2023G such as food distributers, supermarkets, retailers and others mainly for the sale of sugar and other food products. The balance also included balances due from related parties amounting to SAR 188 million at 31 December 2023G and allowance for expected credit losses that amounted to SAR 6 million.

Trade receivables increased from SAR 310 million at 31 December 2021G to SAR 329 million at 31 December 2022G mainly on the back of the increase in revenue by c.10% partly offset by increase in provision against receivables amounting to SAR 1 million.

Trade receivables increased further from SAR 329 million at 31 December 2022G to SAR 466 million at 31 December 2023G in line with the increase in revenue.

Prepayments and other receivables

Prepayments and other current assets amounted to SAR 310 million at 31 December 2023G and comprised advances to vendors, due from related parties, change in fair value of hedged item, prepaid expenses and others.

Prepayments and other current assets increased from SAR 231 million at 31 December 2021G to SAR 326 million at 31 December 2022G mainly attributable to the increase in due from related parties for settling / adjusting expenses. This was coupled with the increase in prepaid expenses by SAR 49 million due to mainly hedging i.e. adjusted cash balances with brokers. This was offset by the decrease in balance of advances to vendors amounting to SAR 19 million due to the decrease in advances in AUCR by SAR 19 million related to beet sugar farmers.

Prepayments and other current assets decreased from SAR 326 million at 31 December 2022G to SAR 310 million at 31 December 2023G following (i) the decrease in related party balances from Savola Group Company by SAR 202 million partially offset by an increase in related party balance from United Sugar Company Egypt (USCE) amounting to SAR 86 million related to payment made on its behalf by United Sugar Company, and (ii) prepaid expenses amounting to SAR 24 million. This is offset by the increase in (i) the fair value of hedged items by SAR 104 million and (ii) advances to vendors by SAR 24 million.

Cash and bank balances

Cash and bank balances amounted to SAR 140 million at 31 December 2023G and mainly included current account (c.78%) and term deposits (c.22%). Short-term deposits are held with commercial banks and yield commission income at prevailing market rates.

Cash and bank balances amounted to SAR 21 million at 31 December 2021G and increased to SAR 100 million at 31 December 2022G mainly due to an increase in current account from SAR 14 million at 31 December 2021G to SAR 99 million at 31 December 2022G, partially offset by a decrease in term deposits from SAR 7 million to nil.

Cash and bank balances increased from SAR 100 million at 31 December 2022G to SAR 140 million at 31 December 2023G mainly due to an increase in current account by SAR 10 million and an increase in term deposits from nil to SAR 30 million.

Share capital

Share capital amounted to SAR 206 million at 31 December 2023G and consists of 206 thousand shares of SAR 1 thousand each.

Additional paid-in capital

Additional paid-in capital amounted to SAR 43 million at 31 December 2023G. The Board of Directors of the Company had resolved to increase the Company's share capital by SAR 43 million, which was affected by a transfer from due to a shareholder account. Legal formalities to register such increase in share capital were in progress at 31 December 2023G. Accordingly, such amount has been shown as additional paid-in capital.

Statutory reserve

Statutory reserve amounted to SAR 102 million at 31 December 2023G. In accordance with SIIC's Bylaws, SIIC transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the financial statements is the statutory reserve of SIIC. This reserve currently is not available for distribution to the shareholders of SIIC.

Effect of transactions with non-controlling interests without change in control

Effect of transactions with non-controlling interests without change in control amounted to SAR 106 million at 31 December 2023G.

Effect of transactions with non-controlling interests without change in control represents changes in the SIIC's ownership interest in subsidiaries that does not result in a change in control. Transactions with non-controlling interests without change in control remained stable between 31 December 2021G and 31 December 2023G as SIIC did not change ownership interest in non-controlling entities.

Foreign currency translation reserve

Foreign currency translation reserve amounted to SAR 66 million at 31 December 2023G and is used to capture the unrealized gains or losses arising from translating the financial statements of Egypt subsidiaries into Saudi Arabian Riyal. Foreign currency translation reserve increased from a deficit of SAR 51 million at 31 December 2021G to a deficit of SAR 61 million at 31 December 2022G and further to a deficit of SAR 66 million at 31 December 2023G due to the devaluation of Egyptian Pound during the same period.

Cashflow hedge reserve

Cash flow hedge reserve amounted to SAR 31 million at 31 December 2023G. Cashflow hedge reserve represents the equity reserve used to record gains or losses from hedging instruments, such as derivatives. Cash flow hedge reserve decreased from positive SAR 2 million at 31 December 2021G to a deficit of SAR 9 million at 31 December 2022G and further to a deficit of SAR 31 million at 31 December 2023G due to other comprehensive losses recorded amounting to SAR 10 million and SAR 21 million in 2022G and 2023G respectively.

Retained earnings

Retained earnings decreased from SAR 236 million at 31 December 2021G to SAR 201 million at 31 December 2022G driven by dividends paid amounting to SAR 86 million, partly offset by profits amounting to SAR 51 million.

Retained earnings increased to SAR 278 million at 31 December 2023G mainly attributable to profits generated for the year amounting to SAR 126 million, partly offset by dividends paid amounting to SAR 50 million.

Non-controlling interests

Non-controlling interest amounted to SAR 199 million at 31 December 2023G and increased from SAR 64 million at 31 December 2021G to SAR 79 million at 31 December 2022G due to profits of SAR 46 million, partly offset by other comprehensive losses amounting to SAR 18 million and dividends amounting to SAR 13 million.

Non-controlling interest increased from SAR 79 million at 31 December 2022G to SAR 199 million at 31 December 2023G due to profits amounting to SAR 113 million and other comprehensive income of SAR 20 million, partly offset by dividends amounting to SAR 13 million.

Loans and borrowings (current and non-current)

Loans and borrowings amounted to SAR 218 million at 31 December 2023G and mainly included long and short-term loans (both secured and unsecured loans) obtained from commercial banks and other financial institutions. Secured bank loans represent borrowings which are secured by a charge on assets, including property, plant and equipment and inventories of certain overseas subsidiaries and does not include borrowings which are secured by corporate guarantee. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are secured by corporate guarantees of SFC and the Group.

Loans and borrowings decreased from SAR 355 million at 31 December 2021G to SAR 70 million at 31 December 2022G mainly driven by contractual payments and currency devaluation impact in connection with existing loans.

Loans and borrowings increased from SAR 70 million at 31 December 2022G to SAR 218 million at 31 December 2023G driven by the new (i) USC medium-term loan amounting to SAR 150 million, (ii) USC short-term loan for SAR 50 million, both are at market rates and secured by a corporate guarantee from Savola Group Company, and (iii) ASC short-term loan in Egyptian pound worth SAR 6 million. This was partly offset by contractual payments made and currency devaluation impact with respect to existing loans.

Lease liabilities (current and non-current)

Lease liabilities amounted to SAR 111 million at 31 December 2023G. The lease liabilities increased at 31 December 2021G from SAR 119 million to SAR 120 million at 31 December 2022G on the back of lease additions worth of SAR 25 million and interest expense of SAR 8 million, partly offset by payments of SAR 27 million and effect of movement in exchange rates of SAR 5 million.

Lease liabilities decreased from SAR 120 million at 31 December 2022G to SAR 111 million at 31 December 2023G mainly driven by payments of SAR 16 million, lease terminations during the year worth SAR 10 million, partly offset by lease additions of SAR 14 million and interest expense of SAR7 million.

Employee benefits

Employee benefits amounted to SAR 70 million at 31 December 2023G. SIIC operates an approved unfunded employees' end of service benefits plan for its permanent employees as required by the Saudi Arabian Labor Law and in accordance with the local statutory requirements of the foreign subsidiaries. The movement in balance has been fairly stable during the review period given that the increase in current service cost and interest cost has been largely offset by payments made during the year.

Provision against asset restoration

Provision against asset restoration refers to provisions that cover the anticipated costs associated with restoring or repairing assets to their original condition. This provision is made in anticipation of future expenses required to maintain or restore the value of tangible assets, such as property, equipment, or infrastructure, ensuring that the company has sufficient funds available when needed. Provision against asset restoration increased from SAR 52 million at 31 December 2021G to SAR 54 million at 31 December 2022G and further to SAR 56 million at 31 December 2023G due to unwinding of the discount on the provision against asset restoration.

Deferred tax liability

Deferred tax liability amounted to SAR 26 million at 31 December 2023G, which is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. The balance mostly relates to operations in Egypt, and it decreased from SAR 49 million at 31 December 2021G to SAR 31 million at 31 December 2022G to SAR 26 million at 31 December 2023G due to the devaluation of Egyptian pound over the period 2021G-2023G.

Trade payables

Trade payables amounted to SAR 413 million at 31 December 2023G comprised balances due to various sugar and other food suppliers.

Trade payables increased from SAR 374 million at 31 December 2021G to SAR 732 million at 31 December 2022G mainly driven by the increase in purchases made towards year-end namely in anticipation of the approaching Ramadan season.

Trade payables decreased from SAR 732 million at 31 December 2022G to SAR 413 million at 31 December 2023G mainly due the settlement of suppliers' payable balances.

Non-trading derivative (current and non-current liabilities)

Non-trading derivative amounted to SAR 205 million at 31 December 2023G and solely relates to the put option with EBRD where it had the right to exercise the put option to sell all the shares held by EBRD in USCE to the remaining shareholders of USCE until 15 May 2024G. The value of the put option is dependent and inversely proportional to the fair valuation of USCE.

Negative fair value of derivatives

Negative fair value of derivatives amounted to SAR 247 million at 31 December 2023G and relate to the fair value of hedged sugar futures contracts that were outstanding throughout the year.

Negative fair value of derivatives increased from SAR 32 million at 31 December 2021G to SAR 117 million at 31 December 2022G and then SAR 247 million at 31 December 2023G mainly due to a combination of factors that include fluctuation in underlying commodity price since the time of entering the contract, volume, and time to contract expiry; among other factors.

Accrued and other liabilities

Accrued expenses and other current liabilities amounted to SAR 626 million at 31 December 2023G and mainly consisted of accrued expenses, accrued zakat, marketing related accruals, employee related accruals and others.

Accrued expenses and other current liabilities decreased from SAR 491 million at 31 December 2021G to SAR 423 million at 31 December 2022G mainly driven by decrease in balance payable to brokers (related to hedging) by SAR 72 million during the same period.

Accrued expenses and other current liabilities increased from SAR 423 million at 31 December 2022G to SAR 626 million at 31 December 2023G mainly due to the increase in (i) marketing related accrual amounting to SAR 71 million, (ii) accrued income tax amounting to SAR 36 million due to increase in profitability, (iii) changes in fair value of firm commitments amounting to SAR 35 million and (iv) advances from customers amounting to SAR 80 million; mostly related to ASC, amongst others. This increase is partly offset by decrease in due to related parties amounting to SAR 49 million related to USCE.

7.7.8.3 Cash Flow Statements

Table (7.60): Statement of cash flow for the financial years ended 31 December 2021G, 2022G and 2023G.

SAR in millions	At 31 December		
	2021G (Audited)	2022G (Audited)	2023G (Audited)
Profit for the year	73	97	239
Adjustments for:			
Depreciation on property, plant and equipment	69	63	57
Depreciation on right-of-use asset	13	14	14
Net finance cost	6	63	129
Net finance cost on lease liability	4	8	7
Share of results of equity-accounted investees, net of tax	(4)	13	31
Loss on property, plant and equipment	2	0	1
Zakat and income tax expense	1	2	42
Impairment on equity accounted investment	44	15	1
Impairment reversal in subsidiary	-	-	(160)

SAR in millions	At 31 December		
	2021G (Audited)	**2022G (Audited)**	**2023G (Audited)**
Changes in:			
Inventories	89	(100)	42
Trade receivables	(46)	(23)	(137)
Prepayments and other receivables	53	(168)	38
Employee benefits	2	3	3
Trade payables	69	367	(317)
Accrued and other liabilities	(84)	(1)	49
Cash generated from operating activities	**291**	**355**	**38**
Finance cost paid	(32)	(23)	(24)
Zakat and income tax paid	(6)	(4)	(3)
Net Cash generated from operating activities	**253**	**329**	**11**
Acquisition of property, plant and equipment	(42)	(53)	(46)
Proceeds from sale of property, plant and equipment	0	0	0
Net cash used in investing activities	**(42)**	**(53)**	**(46)**
Net change in loans and borrowings - current	66	(146)	23
Net change in loans and borrowings - non-current	(201)	(38)	138
Net changes in bank deposits with maturity more than three months	-	-	(1)
Payment of lease liabilities	(13)	(27)	(16)
Dividends paid	(11)	(86)	(50)
Dividend paid to non-controlling interests	(13)	(13)	(13)
Net funds placed with Savola Foods Company	(26)	168	14
Net cash generated from / (used in) financing activities	**(198)**	**(142)**	**96**
Net change in cash and cash equivalents	**13**	**135**	**61**
Effect of movements in exchange rates on cash and cash equivalents	(0)	(49)	(20)
Cash and cash equivalents at January 1	1	15	100
Cash and cash equivalents at December 31	**15**	**100**	**140**

Source: Consolidated financial statements for the financial years ended 31 December 2022G and 2023G.

Net cash generated from operating activities

Net cash generated from operating activities, increased from SAR 253 million in 2021G to SAR 329 million in 2022G mainly due to the increase in profit for the year (after adjustment for non-cash transactions) by SAR 69 million partially offset by a decrease in net working capital components by SAR 4 million.

Net cash generated from operating activities decreased from SAR 329 million in 2022G to SAR 11 million in 2023G mainly due to (i) an increase in net working capital by SAR 401 million following an increase in movement in trade payables by SAR 684 million partially offset by a decrease in change in prepayments and other receivables by SAR 206 million and (ii) due to the increase in profit for the year (after adjustment for non-cash transactions) by SAR 84 million.

Net cash used in investing activities

Net cash used in investing activities, amounting to SAR 46 million in 2023G, increased from SAR 42 million in 2021G to SAR 53 million in 2022G mainly due to the increase in acquisition of property, plant and equipment from SAR 42 million in 2021G to SAR 53 million in 2022G resulting from construction work in progress and related to installation of new machinery in Jeddah's factory and upgrading and enhancing the production and logistic facilities of certain subsidiaries.

Net cash used in investing activities marginal decreased from SAR 53 million in 2022G to SAR 46 million in 2023G due to the slight decrease in acquisition of property, plant and equipment from SAR 53 million in 2022G to SAR 46 million in 2023G following the decrease in acquisitions during the period under review.

Net cash generated from / (used in) financing activities

Net cash used in financing activities decreased from SAR 198 million cash used in financing activities in 2021G to SAR 142 million cash used in financing in 2022G mainly due to a decrease in net funds placed with SFC partially offset by an increase in dividends paid by SAR 75 million in 2022G.

Net cash in financing activities increased from SAR 142 million cash used in financing activities in 2022G to SAR 96 million cash generated from financing activities in 2023G mainly due to an increase in net change in loans and borrowings with net proceeds, partially offset by a decrease in funds received from SFC, amongst others.

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8.
USE OF OFFERING PROCEEDS

8. USE OF OFFERING PROCEEDS

8.1 Net Offering Proceeds

Total Offering Proceeds are estimated at six billion (6,000,000,000) Saudi Riyals and the Net Offering Proceeds are expected to be five billion nine hundred and forty-nine million (5,949,000,000) Saudi Riyals after deducting the estimated offering costs of fifty-one million (51,000,000) Saudi Riyals. The Offering costs include the fees of the Financial Advisor, Lead Manager, Underwriters, the Company's Legal Advisor, the Underwriter's Legal Advisor, the Market Study Consultant and other advisors, in addition to marketing, printing, distribution and other expenses related to the Offering. It should be noted that the Offering expenses are estimates and not final.

It should also be noted that if there is a difference of 5% or more between the actual utilization of the Offering Proceeds compared to what has been disclosed in this Section of the Prospectus, the Company will disclose said difference to the public as soon as it becomes aware thereof in accordance with the requirements of Rule 72(f) of the Rules on the Offer of Securities and Continuing Obligations.

8.2 Use of Offering Proceeds

Net Offering Proceeds are expected to be approximately five billion nine hundred and forty-nine million (5,949,000,000) Saudi Riyals, which will be fully utilized to repay the Company's outstanding debt. (For more details about these debts, please refer to Subsection 7.7.2.3.1 ("**Loans and Advances**") of Section 7 ("**Management Discussion and Analysis of Financial Position and Operating Results**") of this prospectus).

The table below sets out the expected detailed use of the Offering Proceeds and the timeline therefor, noting that the expected dates for the use of Offering Proceeds are approximate and may change depending on the development of the Company's business at the time:

SAR (million)	2024G	Total	% of Total Offering Proceeds
	Q4		
Repayment of long-term loans	3,797	3,797	63.3%
Repayment of short-term loans	2,152	2,152	35.9%
Repayment of existing loans	5,949	5,949	99.2%
Offering Expenses	51	51	0.8%
Total	6,000	6,000	100%

Source: The Company and the consolidated financial statements for the three-month period ending on 31 March 2024G.

8.3 Expected Impact on the Capital Structure

The table below sets out the expected change in the capital structure in terms of debt instruments and equity rights before and after the issuance of Rights as of 31 December 2023G:

	Pre-Offering		Post-Offering	
	Debt	Equity	Debt	Equity
As at 31 December 2023G				
Capital structure (in million Saudi Riyals)	8,587.7	9,534.5	2,638.7	15,483.5
Percentage of capital structure (%)	47.4%	52.6%	14.6%	85.4%

Source: The Company

The table above is based on the following assumptions:

- Debt includes both long-term and short-term loans (excluding long-term and short-term lease obligations).
- Equity includes shareholders' rights.

9.
EXPERT STATEMENTS

9. EXPERT STATEMENTS

Written approval has been obtained from all the advisors and auditors whose names appear on Pages (vii), (viii) and (ix) of this Prospectus to include their names, logos and statements in the form mentioned in this Prospectus, and such approvals have not been withdrawn as of the date of this Prospectus. All advisors and auditors listed on pages (vii), (viii) and (ix) of this prospectus, as well as their relatives, do not own any shares or have any interest of any kind in the Company.

10.
DECLARATIONS

10. DECLARATIONS

As at the date of this Prospectus, Board members declare that:

- There has been no interruption in the business of the Company and its Subsidiaries which may have had a significant effect on its financial position in the last twelve (12) months.
- No commissions, discounts, brokerage fees or other non-cash compensations were granted by the Issuer or by any of its Subsidiaries during the three (3) years immediately preceding the application for listing the securities in connection with the issue or sale of any securities.
- There has been no material adverse change in the financial or trading position of the Company or its Subsidiaries in the three (3) years immediately preceding the date of filing the application for admission and offer of securities, subject of this Prospectus, in addition to the period covered by the Auditor's report until the date of approval of this Prospectus.
- Except as disclosed in page (iv) of this Prospectus and sub-section 5-4 ("**Interests of Board members and their relatives in the Company's equity or debt instruments and its Subsidiaries**") of Section 5 ("**Organizational Structure of the Company**") of this Prospectus, Board members and their relatives do not have shares or interests of any kind in the Issuer or Subsidiaries.
- The Company did not maintain treasury shares, and the Company's EGM did not approve the purchase of the Company's Shares, except for shares purchased for the purpose of the long-term employee incentive program.

11.
LEGAL INFORMATION

11. LEGAL INFORMATION

11.1 Company Incorporation, Licenses and Permits

Savola Group Company (hereinafter referred to as the "**Company**" or "**Savola**" or "**Issuer**") was established as a Saudi joint stock company, 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. The Company's head office is located in Savola Tower, the city of Jeddah, Prince Faisal Ibn Fahd Road, Ashati District, 2444 Taha Kusaifan, Unit No. 15 Jeddah 23511-7333, Kingdom of Saudi Arabia.

The Company's current share capital is five billion three hundred thirty-nine million eight hundred six thousand eight hundred forty (5,339,806,840) Saudi Riyals divided into five hundred thirty-three million nine hundred eighty thousand six hundred eighty-four (533,980,684) ordinary shares with nominal value of ten (10) Saudi Riyals per share.

The Company and its material Subsidiaries have obtained all the necessary licenses and approvals to conduct its activities in accordance with applicable regulations:

Table (11.1): The necessary licenses obtained by the Company to carry out its activities in accordance with applicable laws:

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
1.	Commercial Register Certificate	Company incorporation and registration	4030019708	29/03/1398H (corresponding to 08/03/1978G)	29/05/1447H (corresponding to 20/11/2025G)	Ministry of Commerce
2.	GOSI Certificate	Certificate of fulfillment of GOSI requirements	68891004	11/01/1446H (corresponding to 17/07/2024G)	11/02/1446H (corresponding to 15/08/2024G)	General Organization for Social Insurance
3.	Saudization certificate	Saudization Compliance Certificate	181003-19691439	18/06/1445H (corresponding to 31/12/2023G)	01/03/1446H (corresponding to 04/09/2024G)	Ministry of Human Resources and Social Development
4.	Riyadh Chamber of Commerce Membership certificate	Membership Certificate	3012	07/01/1421H (corresponding to 12/04/2004G)	29/05/1447H (corresponding to 20/11/2025G)	Riyadh Chamber of Commerce and Industry
5.	Zakat Certificate	Certificate of compliance with ZATCA requirements	1112067248	26/10/1445H (corresponding to 05/05/2024G)	02/11/1446H (corresponding to 30/04/2025G)	Zakat, Tax and Customs Authority
6.	Municipal License for the Company's head office	Legally required license under the Law of Municipal Licensing Procedures	39111336720	17/01/1438H (corresponding to 18/10/2016G)	16/01/1447H (corresponding to 11/07/2025G)	Jeddah Municipality
7.	Civil Defense License*	Legally required license under General Directorate of Civil Defense regulations	1-000257541-40	25/11/1441H (corresponding to 16/07/2020G)	25/11/1442H (corresponding to 05/07/2021G)	General Directorate of Civil Defense

Source: The Company

* The Company is in the process of renewing the license/certificate.

Table (11.2): The necessary licenses obtained by Savola Foods to carry out its activities in accordance with applicable laws:

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
1.	Commercial Register Certificate	Company incorporation and registration	4030180782	05/07/1429H (corresponding to 08/07/2008G)	18/07/1447H (corresponding to 25/12/2025G)	Ministry of Commerce
2.	Zakat Certificate	Certificate of fulfillment of ZATCA requirements	1032233604	22/10/1445H (corresponding to 01/05/2024G)	02/11/1446H (corresponding to 30/04/2025G)	Zakat, Tax and Customs Authority
3.	Municipal License	Legally required license under the Law of Municipal Licensing Procedures	39111336720	17/01/1438H (corresponding to 18/10/2016G)	16/01/1447H (corresponding to 11/07/2025G)	Jeddah Municipality

Source: The Company

Table (11.3): The necessary licenses obtained by Panda Retail to carry out its activities in accordance with applicable laws:

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
1.	Commercial Register Certificate	Company incorporation and registration	4030223594	25/07/1431H (corresponding to 07/07/2010G)	29/03/1446H (corresponding to 02/10/2024G)	Ministry of Commerce
2.	GOSI Certificate	Certificate of fulfillment of GOSI requirements	68644648	08/01/1446H (corresponding to 14/07/2024G)	08/02/1446H (corresponding to 12/08/2024G)	General Organization for Social Insurance
3.	Zakat Certificate	Certificate of compliance with ZATCA requirements	1112251761	23/10/1445H (corresponding to 02/05/2024G)	02/11/1446H (corresponding to 30/04/2025G)	Zakat, Tax and Customs Authority
4.	Municipal permit for Panda warehouse (Jeddah)	Legally required license under the Law of Municipal Licensing Procedures	40031765893	13/01/1430H (corresponding to 10/01/2009G)	13/01/1446H (corresponding to 19/07/2024G)	Riyadh Municipality
5.	Food Establishment License (Dammam Warehouse)*	Legally required license under SFDA regulations	WL-2020-FO-0881	10/09/1441H (corresponding to 03/05/2020G)	22/10/1445H (corresponding to 01/05/2024G)	Saudi Food and Drug Authority
6.	Food Establishment License (Mecca Warehouse)	Legally required license under SFDA regulations	WL-2021-FO-0912	27/02/1443H (corresponding to 04/10/2021G)	30/03/1446H (corresponding to 03/10/2024G)	Saudi Food and Drug Authority
7.	Food Establishment License (Warehouse)*	Legally required license under SFDA regulations	WL-2020-FO-1527	04/03/1442H (corresponding to 21/10/2020G)	05/04/1445H (corresponding to 20/10/2023G)*	Saudi Food and Drug Authority
8.	Economic Cities and Special Zones Authority License (Mecca Warehouse)	Legally required license under the Economic Cities and Special Zones Authority regulations	KAEC/IV2/2F7A-C/003	05/05/1435H (corresponding to 02/02/2017G)	04/07/1448H (corresponding to 13/12/2026G)	Economic Cities and Special Zones Authority
9.	Economic Cities and Special Zones Authority License (Mecca Warehouse)	Legally required license under the Economic Cities and Special Zones Authority regulations	010450444	20/11/1434H (corresponding to 26/09/2013G)	20/11/1446H (corresponding to 18/05/2025G)	Economic Cities and Special Zones Authority

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
10.	Civil Defense License (Dammam warehouse)*	Legally required license under General Directorate of Civil Defense regulations	43-000225031-3	23/03/1439H (corresponding to 11/12/2017)	14/02/1444H (corresponding to 10/08/2022G)	General Directorate of Civil Defense
11.	Civil Defense License (Riyadh warehouse)	Legally required license under General Directorate of Civil Defense regulations	45-1390563-1	26/08/1445H (corresponding to 07/04/2024G)	26/08/1446H (corresponding to 25/02/2025G)	General Directorate of Civil Defense

Source: The Company

* The Company is in the process of renewing the license/certificate.

Table (11.4): The necessary licenses obtained by Savola Industrial Investments to carry out its activities in accordance with applicable laws:

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
1.	Commercial Register Certificate	Company incorporation and registration	4030094580	14/10/1413H (corresponding to 07/04/1993G)	13/10/1448H (corresponding to 21/03/2027G)	Ministry of Commerce
2.	Jeddah Chamber of Commerce Membership certificate	Membership Certificate	69338	03/12/1445H (corresponding to 09/06/2024G)	13/10/1448H (corresponding to 21/03/2027G)	Jeddah Chamber of Commerce and Industry
3.	Zakat Certificate	Certificate of compliance with ZATCA requirements	1032233381	22/10/1445H (corresponding to 01/05/2024G)	02/11/1446H (corresponding to 30/04/2025G)	Zakat, Tax and Customs Authority

Source: The Company

Table (11.5): The necessary licenses obtained by Afia International to carry out its activities in accordance with applicable laws:

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
1.	Commercial Register Certificate	Company incorporation and registration	4030098629	16/04/1414H (corresponding to 03/07/1993G)	15/04/1447H (corresponding to 07/10/2025G)	Ministry of Commerce
2.	Jeddah Chamber of Commerce Membership certificate	Membership Certificate	7011360513	16/04/1414H (corresponding to 02/10/1993G)	15/04/1447H (corresponding to 07/10/2025G)	Jeddah Chamber of Commerce and Industry
3.	Industrial Facility License	License to manufacture food products	441102122801	04/05/1444H (corresponding to 28/11/2022G)	18/01/1447H (corresponding to 13/07/2025G)	Ministry of Industry and Mineral Resources
4.	Zakat Certificate	Certificate of compliance with ZATCA requirements	1112233042	22/10/1445H (corresponding to 01/05/2024G)	02/11/1446H (corresponding to 30/04/2025G)	Zakat, Tax and Customs Authority
5.	Food Establishment License (Jeddah Industrial City Warehouse)	Legally required license under SFDA regulations	E-01565	04/08/1443G (corresponding to 07/03/2022G)	04/08/1446H (corresponding to 03/02/2025G)	Saudi Food and Drug Authority
6.	Food Establishment License (Jeddah Warehouse)*	Legally required license under SFDA regulations	WL-2021-FO-0138	08/06/1442H (corresponding to 14/01/2021G)	10/08/1443H (corresponding to 13/03/2022G)	Saudi Food and Drug Authority
7.	Food Establishment License (Jeddah Warehouse)*	Legally required license under SFDA regulations	WD-00273	28/05/1440H (corresponding to 03/02/2019G)	28/05/1441H (corresponding to 23/01/2020G)	Saudi Food and Drug Authority

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
8.	Economic Cities and Special Zones Authority License*	Legally required license under the Economic Cities and Special Zones Authority regulations	5871443329021044	29/03/1443H (corresponding to 04/11/2021G)	10/04/1444H (corresponding to 04/11/2022G)	Economic Cities and Special Zones Authority
9.	Food industry environmental permit	Legally required license under the Environmental Law and Implementing Regulations thereof	5677	09/04/1444H (corresponding to 03/11/2022G)	12/05/1447H (corresponding to 03/11/2025G)	National Center for Environmental Compliance
10.	Food industry environmental permit for the Afia International branch	Legally required license under the Environmental Law and Implementing Regulations thereof	EPOPP-2023-002636	28/01/1445H (corresponding to 15/08/2023G)	02/03/1448H (corresponding to 15/08/2026G)	National Center for Environmental Compliance
11.	Food industry environmental permit for the Afia International branch (Afia edible oils factory)*	Legally required license under the Environmental Law and Implementing Regulations thereof	14560	29/06/1442H (corresponding to 25/01/2021G)	15/06/1444H (corresponding to 08/01/2023G)	National Center for Environmental Compliance
12.	Food industry environmental permit for the Afia International branch	Legally required license under the Environmental Law and Implementing Regulations thereof	OPWC-2023-002793	01/11/1444H (corresponding to 21/05/2023G)	04/12/1447H (corresponding to 21/05/2026G)	National Center for Environmental Compliance
13.	GOSI Certificate*	Certificate of fulfillment of GOSI requirements	66793115	29/11/1445H (corresponding to 06/06/2024G)	29/12/1445H (corresponding to 05/07/2024G)	General Organization for Social Insurance

Source: The Company

* The Company is in the process of renewing the license/certificate.

Table (11.6): The necessary licenses obtained by United Sugar Company to carry out its activities in accordance with applicable laws:

No.	Type	Purpose	Lic. #	Issue Date	Expiry Date	Issuing Authority
1.	Commercial Register Certificate	Company incorporation and registration	4030104496	19/01/1415H (corresponding to 29/06/1994G)	17/01/1449H (corresponding to 22/06/2027G)	Ministry of Commerce
2.	Industrial Facility License	License to manufacture food products	451110130811	30/03/1445H (corresponding to 15/10/2023G)	12/04/1446H (corresponding to 15/10/2024G)	Ministry of Industry and Mineral Resources
3.	Food Establishment License (Jeddah Industrial City Warehouse)*	Legally required license under SFDA regulations	E-01490	10/06/1443H (corresponding to 13/01/2022G)	10/06/1446H (corresponding to 11/12/2024G)	Saudi Food and Drug Authority
4.	GOSI Certificate*	Certificate of fulfillment of GOSI requirements	66793634	29/11/1445H (corresponding to 06/06/2024G)	29/12/1445H (corresponding to 05/07/2024G)	General Organization for Social Insurance
5.	Zakat Certificate	Certificate of compliance with ZATCA requirements	1112016535	26/10/1445H (corresponding to 05/05/2024G)	02/11/1446H (corresponding to 30/04/2025G)	Zakat, Tax and Customs Authority

Source: The Company

* The Company is in the process of renewing the license/certificate.

11.2 Company Objects

The Company's activities pursuant to its Commercial Register No. 4030019708, dated 29/03/1398H (corresponding to 08/03/1978G) consist of carrying out head office activities.

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

1- Head office activities (oversight and management of other units of the Company or establishment)

2- 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.

3- 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.

4- (D) Manufacturing and trading in glass, plastic, metal and paper containers, packaging covers and other packaging tools related to the company's purposes.

5- Establishing and managing plant and animal farms related to the realization of the Company's objects and reclaiming and investing in agricultural lands.

6- Production of liquid and compound fertilizers, rare elements, and agricultural and industrial disinfectants.

7- 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.

8- Establishing and managing supermarkets, whether for the Company or for others.

9- Establishing and managing restaurants and bakeries.

10- Establishing and managing cold storage warehouses.

11- Exporting, importing, commercial undertakings and commercial agencies within the scope of the Company's activities after being registered in accordance with statutory requirements.

12- Buying and selling land, real estate and factories necessary to achieve the Company's objectives.

13- Conducting research and studies related to the Company's objectives.

14- The Company 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.

The Company carries out its activities after obtaining the necessary licenses from the competent authorities, if any.

11.3 Company Branches

Article 5 of the Company's Bylaws stipulated that the Company may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia. Telecom companies wishing to open branches are required to adhere to the statutory procedures related to the opening of branches for joint stock companies as issued by the Ministry of Commerce. As of the date of this Prospectus, the Company and its Subsidiaries lack branches.

11.4 Company Subsidiaries

The table below provides an overview of the Company's material subsidiaries as of the date of this Prospectus.

Table (11.7): Overview of material subsidiaries directly owned by the Company:

Subsidiary	Capital	Ownership %
Savola Foods Company	2,200,000,000	100%
Panda retail Company	1,020,000,000	100%

Source: The Company

Table (11.8): Overview of material subsidiaries owned by Savola Foods:

Subsidiary	Capital	Ownership %
Savola Industrial Investments Company	205,907,000	100%
Afia International Company	500,000,000	95.19%

Source: The Company

Table (11.9): Overview of material subsidiaries owned by Savola Industrial Investments:

Subsidiary	Capital	Ownership %
United Sugar Company	395,000,000	74.48%

Source: The Company

11.5 Summary of Material Contracts

11.5.1 Contracts and Transactions with Related Parties

As at the date of this Prospectus, none of the members of the Company's Board of Directors has a direct or indirect interest in the business and contracts for the Company that are subject to the requirements of Article 71 of the Companies Law. However, the Company's Subsidiaries have existing and close business relationships with a number of Related Parties. In particular, the Subsidiaries have entered into contracts with Related Parties, including contracts for the sale and purchase of goods and leases. As at the date of this Prospectus, the Subsidiaries have 18 current Related Party Transactions, which have been approved by the EGM of each of the relevant Subsidiaries. In addition, in the interest of good governance, the Related Party Transactions of the Subsidiaries were approved at the Company level by the General Assembly meeting held on 10/05/2023G.

The total value of Subsidiary Related Party Transactions amounted to SAR 1,700,157,000, SAR 1,492,414,000, and SAR 1,751,384,000 for the FY2021G, FY2022G, and FY2023G, respectively.

11.5.1.1 Panda Retail Contracts and Transactions with Related Parties

- Three supply contracts concluded between Panda Retail Company and Mayar Foods Company dated 01/01/2017G, 01/01/2020G and 01/01/2020G, respectively, for a period of one year automatically renewed for the purpose of supplying Panda Retail Company with food products, in which the Chairman of the Board of Directors Mr. Isam Majid Al Muhaideb and Vice Chairman of the Board of Directors Mr. Waleed Khaled Fatani of Panda Retail Company have an indirect interest.
- A lease contract concluded between Panda Retail Company and Zohoor Al Reef Trading Company on 09/11/2015G for a period of 3 years to be renewed upon written approval by Panda Retail Company for the purpose of leasing a showroom to Zohoor Al Reef Trading Company, in which the Chairman of Panda Retail Company, Mr. Isam Majid Al Muhaideb, has an indirect interest. As of the date of this Prospectus, this contract is still in force.

- Ten lease agreements between Panda Retail Company and Herfy Food Services Company (including five contracts concluded on 19/07/2023G, three contracts concluded on 09/05/2023G, one contract concluded on 04/06/2023G, and one contract concluded on 07/06/2023) for periods ranging approximately between one and ten years for the purpose of leasing stores or land to Herfy Food Services Company, in which the Chairman of the Board of Directors Mr. Isam Majid Al Muhaideb and the Vice Chairman of the Board of Directors Mr. Waleed Khaled Fatani of Panda Retail Company have an indirect interest.
- A lease contract concluded between Panda Retail Company and Dur Hospitality Company dated 04/06/2012G and amended on 09/10/2016G for a period of 15 years ending on 31/12/2031G for the purpose of leasing a store at Al-Takhassusi Plaza in Riyadh to Panda Retail Company, in which Mr. Bader Abdullah Alissa and Mr. Fahad Abdullah Alkassim, members of the Board of Directors of Panda Retail Company, have an indirect interest.

11.5.1.2 United Sugar Company Contracts and Transactions with Related Parties

- Sugar sales contract concluded between United Sugar Company and Herfy Food Services Company on 07/02/2024G, for a period ending on 30/04/2024G, in which the Chairman of the Board of Directors Mr. Bader Abdullah Alissa and Vice Chairman of the Board of Directors Mr. Waleed Khalid Fatani of United Sugar Company have an indirect interest.
- A sugar sales contract concluded between United Sugar Company and Herfy Food Services Company on 31/12/2023, for a period ending on 30/05/2024, in which the Chairman of the Board of Directors Mr. Bader Abdullah Alissa and Vice Chairman of the Board of Directors Mr. Waleed Khalid Fatani of United Sugar Company have an indirect interest.

11.5.1.3 Afia International Company Contracts and Transactions with Related Parties

- Invoices for the sale of edible oils issued by Afia International to Herfy Food Services Company in which the Vice Chairman of the Board of Directors Mr. Waleed Khaled Fatani and Board Member Mr. Moataz Kusai Alazzawi of Afia International have a direct interest.

11.5.2 Key Supplier Agreements

11.5.2.1 Panda Retail Company Key Supplier Agreements

- **Operation and Management Agreement between Panda Retail and Supplier 1**

On 05/12/2023G, Panda Retail Company entered into an Operation and Management Agreement with Supplier 1. Supplier 1 is obligated to operate and manage the consumer electronics departments in Panda Retail branches and supply the inventory of the online store to Panda Retail Company and Panda Retail Company is obligated to pay the completed and accepted service value weekly for the duration of the contract. This agreement is effective for a period of ten (10) years starting from 05/12/2023G.

- **Supply agreement concluded between Panda Retail Company and Supplier 2**

On 01/01/2023G, Panda Retail Company entered into an agreement with Supplier 2 to establish the framework terms for the supply of food and beverage products. Under this agreement, Supplier 2 is obligated to supply food and beverage products to Panda Retail and Panda Retail is obligated to pay the value of the products within the period specified in its supply contracts.

- **Supply agreement concluded between Panda Retail Company and Supplier 3**

On 08/08/2023G, Panda Retail Company entered into an agreement with Supplier 3 to establish the framework terms for the supply of fish trap products. Under this agreement, the supplier is obligated to supply fish trap products to Panda Retail Company, and Panda Retail Company is obligated to pay the value of the products within fifteen (15) days from the date of receiving the invoice from Supplier 3.

- **Supply agreement concluded between Panda Retail Company and Supplier 4**

On 30/07/2023G, Panda Retail Company entered into an agreement with Supplier 4 to establish the framework terms for the supply of dairy products. Under this agreement, Supplier 4 is obligated to supply dairy products to Panda Retail and Panda Retail is obligated to pay the value of the products within the period specified in its supply contracts.

- **Supply agreement concluded between Panda Retail Company and Supplier 5**

On 30/07/2023G, Panda Retail Company entered into an agreement with Supplier 5 to establish the framework terms for the supply of food and beverage products. Under this agreement, the supplier is obligated to supply food and beverage products to Panda Retail and Panda Retail is obligated to pay the value of the products within the period specified in its supply contracts.

11.5.2.2 Afia International Company Key Supplier Agreements

- **Sales agreement concluded between Afia International Company and Supplier 1**

On 15/08/2023G, Afia International entered into an agreement with Supplier 1 to provide wholesale crude corn oil. Under this agreement, the supplier is obligated to provide wholesale crude corn oil to Afia International and Afia International is obligated to pay the value of the products within three (3) days from the date of receipt of the products by Supplier 1.

- **Sales agreement concluded between Afia International Company and Supplier 2**

On 15/02/2023G, Afia International entered into an agreement with Supplier 2 to provide wholesale crude soybean oil. Under this agreement, Supplier 2 is obligated to provide wholesale crude soybean oil to Afia International and Afia International is obligated to pay the value of the products within thirty (30) days from the date of receipt of the invoice.

- **Sales agreement concluded between Afia International Company and Supplier 3**

Afia International entered into an agreement with Supplier 3 to provide palm oil and lauric oil. Under this agreement, the supplier is obligated to provide palm oil and lauric oil to Afia International and Afia International is obligated to pay the value of the products within the specified period in accordance with the supplier's pricing policy.

- **Sales agreement concluded between Afia International Company and Supplier 4**

On 14/09/2023G, Afia International entered into an agreement with Supplier 4 to provide wholesale sunflower oil. Under this agreement, the supplier is obligated to provide wholesale sunflower oil to Afia International and Afia International is obligated to pay the value of the products within three (3) days from the date of receipt of the products.

- **Sales agreement concluded between Afia International Company and Supplier 4**

On 14/09/2023G, Afia International entered into an agreement with Supplier 4 to provide wholesale sunflower oil. Under this agreement, Supplier 4 is obligated to provide wholesale sunflower oil to Afia International and Afia International is obligated to pay the value of the products within three (3) days from the date of receipt of the products.

- **Sales agreement concluded between Afia International Company and Supplier 5**

On 03/03/2023G, Afia International entered into an agreement with Supplier 5 to provide wholesale crude soybean oil. Under this agreement, the supplier is obligated to provide wholesale crude soybean oil to Afia International and Afia International is obligated to pay the value of the products on the date of receipt of the invoice.

- **Sales agreement concluded between Afia International Company and Supplier 6**

On 07/12/2023G, Afia International entered into an agreement with Supplier 6 to provide wholesale crude soybean oil. Under this agreement, the supplier is obligated to provide wholesale crude soybean oil to Afia International and Afia International is obligated to pay the value of the products within a period not exceeding sixty (60) working days from the date of receipt of the invoice.

- **Sales agreement concluded between Afia International Company and Supplier 7**

On 28/11/2023G, Afia International entered into an agreement with Supplier 7 to provide wholesale sunflower oil. Under this agreement, Supplier 7 is obligated to provide wholesale sunflower oil to Afia International and Afia International is obligated to pay the value of the products within a period not exceeding sixty (60) working days from the date of receipt of the invoice.

- **Sales agreement concluded between Afia International Company and Supplier 8**

On 17/01/2023G, Afia International entered into an agreement with Supplier 8 to provide wholesale pure crude soybean oil. Under this agreement, Supplier 8 is obligated to provide wholesale pure crude soybean oil to Afia International and Afia International is obligated to pay the value of the products within a period not exceeding sixty (60) working days from the date of receipt of the invoice.

- **Sales agreement concluded between Afia International Company and Supplier 9**

On 15/11/2023G, Afia International entered into an agreement with Supplier 9 to provide wholesale pure corn oil. Under this agreement, Supplier 9 is obligated to provide wholesale pure corn oil to Afia International and Afia International is obligated to pay the value of the products within a period not exceeding two (2) working days from the date of receipt of the invoice.

- **Sales agreement concluded between Afia International Company and Supplier 10**

On 06/12/2023G, Afia International entered into an agreement with Supplier 10 to provide wholesale crude corn oil. Under this agreement, Supplier 10 is obligated to provide wholesale crude corn oil to Afia International and Afia International is obligated to pay the value of the products upon receipt of the products from the supplier.

- **Sales agreement concluded between Afia International Company and Supplier 11**

On 19/10/2023G, Afia International entered into an agreement with Supplier 11 to provide wholesale corn oil. Under this agreement, Supplier 11 is obligated to provide wholesale corn oil to Afia International and Afia International is obligated to pay the value of the products within a period not exceeding sixty (60) working days from the date of receipt of the invoice.

- **Sales agreement concluded between International Food Industries Company (Afia International) and Supplier 12**

On 11/02/2024G, Afia International entered into an agreement with Supplier 12 to provide wholesale soybean oil. Under this agreement, Supplier 12 is obligated to provide wholesale soybean oil to Afia International and Afia International is obligated to pay the value of the products within a period not exceeding thirty (30) days from the date of receipt of the invoice.

- **Sales agreement concluded between Afia International Company and Supplier 13**

On 30/11/2023G, Afia International entered into an agreement with Supplier 13 to provide wholesale pure crude soybean oil. Under this agreement, Supplier 13 is obligated to provide wholesale pure crude soybean oil to Afia International and Afia International is obligated to pay the value of the products within a period not exceeding four (4) days from the date of receipt of the invoice.

11.6 Disputes and Litigation

Panda Retail Company was fined SAR 400,000 by the General Authority for Competition on 30/08/1444H (corresponding to 22/03/2023G), for failing to submit an economic concentration request to the General Authority for Competition regarding Panda Retail Company's acquisition of Todoorstep Company, which violates Article 17 of the Competition Law. Panda Retail Company promptly paid the full amount of the fine at that time.

In addition to what was mentioned above, on 19/03/2024G the Company received a violation notice from the CMA related the Company's failure to fully and clearly disclose in its announcement published on the CMA (Tadawul) website in accordance with Article 78(a) of the Rules on the Offer of Securities and Continuing Obligations and paragraph (e) from the general instructions of the Instructions for Companies' Announcements on 07/02/2024G related to the Group's announcement of the Board of Director's recommendation to increase its capital by offering Rights Shares and the distribution of its entire stake in Almarai to Savola's shareholders, in addition to its failure to disclose all material developments separately. On 12/02/2024G the Group published a supplementary announcement on the CMA website in order to explain the interconnection of the aforementioned elements. No fine was imposed on the Company by the CMA in this regard.

On 31/05/2023G, a fine of SAR 5,000 was imposed on the Company from the General Directorate of Civil Defense for placing obstacles at the emergency exits of the Savola Tower located in Jeddah, Ashati District.

Further, on 09/07/2024G a fine of SAR 5,000 was imposed on the Company from the General Directorate of Civil Defense as a result of the inefficiency of the dry firefighting network on the southern side of the Savola Tower located in Jeddah, Ashati District.

Except as mentioned above, as of the date of this Prospectus, there are no pending legal disputes, cases, actual or potential complaints, or investigative proceedings that may have, individually or collectively, a material impact on the Company and its Subsidiaries. The Company is not aware of any significant pending or potential legal disputes or facts that could give rise to, individually or collectively, a material impact on the Company and its Subsidiaries.

11.7 Approvals required for capital increase

The Company has obtained the following approvals required for capital increase:

- The approval of the Company's Board of Directors issued on 25/07/1445H (corresponding to 06/02/2024G).
- The conditional approval of the Saudi Exchange (Tadawul) issued on 22/11/1445H (corresponding to 30/05/2024G).
- The approval of the CMA issued on 25/01/1446H (corresponding to 31/07/2024G).
- The Company's Extraordinary General Assembly's on the Capital Increase dated [•]H (corresponding to [•]G).

11.8 Board member acknowledgments

As at the date of this Prospectus, the members of the Board of Directors acknowledge the following with regard to the legal information:

- The issuance of Rights under this Prospectus does not constitute a breach of the relevant laws and regulations in Saudi Arabia.
- The issuance of Rights under this Prospectus does not constitute a breach of any contract or agreement in which the Company is party.
- All material legal information concerning the Issuer have been disclosed in this Prospectus.
- The Issuer and Subsidiaries is not party to any lawsuits or legal proceedings that may, collectively or individually, materially affect the Issuer's and Subsidiaries' business or financial position.
- The members of the Board of Directors are not party to any lawsuits or legal proceedings that may, collectively or individually, materially affect the Issuer's and Subsidiaries' business or financial position.

12.
UNDERWRITING

12. UNDERWRITING

12.1 Underwriters

The Company and the Underwriters have entered into an Underwriting Agreement for the subscription of six hundred million (600,000,000) ordinary shares at an Offering Price of ten Saudi Riyals (SAR 10) per share, representing 100% of the Rights Shares offered for subscription ("**Underwriting Agreement**").

12.2 Underwriters Names and Addresses

Riyad Capital

Granada Business 2414, Al Shohda District

Unit No. 69

Riyadh 13241-7279

Kingdom of Saudi Arabia

Phone: + 966 (11) 486 5649

Fax: +966 (11) 487 5908

Website: www.riyadcapital.com

Email: ask@riyadcapital.com

ANB Capital

P.O. Box 22009 Riyadh 11311

Kingdom of Saudi Arabia

Phone: +966 (11) 406 2500

Fax: +966 (11) 406 2548

Website: www.anbcapital.com.sa

Email: info@anbcapital.com

12.3 Key terms of the Underwriting Agreement

The terms and conditions of the Underwriting Agreement provide that:

1- The Company undertakes to the Underwriters that, on the allocation date, it will allocate and issue to the Underwriters all Rights Shares that have not been subscribed for by Eligible Shareholders as additional shares at the Offering Price.

2- The Underwriters undertake to the Company that it will, on the allocation date, purchase the Rights Shares not subscribed for by Eligible Persons, as additional shares at the Offering Price.

3- The Underwriters shall, on account of underwriting, receive a specified amount of money to be paid from the Offering Proceeds.

Table (12.1): Shares to be Underwritten

Underwriter	Number of Offer Shares to be Underwritten	Value of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
Riyad Capital	400,000,000	4,000,000,000	66. 7%
ANB Capital	200,000,000	2,000,000,000	33.3%
Total	**600,000,000**	**6,000,000,000**	**100%**

13.
WAIVERS

13. WAIVERS

Neither the Company nor the Financial Advisor have applied to the CMA or Tadawul to be exempt from any of the requirements contained in the Listing Rules and the Rules on the Offer of Securities and Continuing Obligations.

14.
DETAILS ON SHARES AND OFFERING TERMS AND CONDITION

14. DETAILS ON SHARES AND OFFERING TERMS AND CONDITION

The Company has filed an application for the registration and offering of the New Shares to the CMA and to Tadawul for listing the New Shares. All the requirements were fulfilled in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

All Eligible Shareholders and holders of acquired Rights must read the subscription terms and conditions carefully before electronic subscription, submission of the subscription application through a Broker, or filling out the Rump Offering application form. The submission of the Subscription Application or the signing and delivery of the Rump Offering Subscription application form constitutes acceptance of the mentioned terms and conditions.

14.1 Offering

The Offering is an increase in the Company's share capital by way of a Rights Issue of six billion (6,000,000,000) Saudi Riyals, divided into six hundred million (600,000,000) ordinary shares at a nominal value of SAR 10 per share and an Offering Price of ten (10) Saudi Riyals per share.

14.2 How to Apply for Subscription to the Rights (New Shares)

The Registered Shareholders and those wishing to subscribe to the Rights shall submit the subscription application during the Subscription Period through the investment portfolio on trading platforms through which sale and purchase orders are entered, in addition to the possibility of subscribing through any other means provided by the Broker and shares Custodian in the Kingdom during the Offering Period. If there is a Rump Offering Period, subscription application forms can also be submitted during such a period by Institutional Investors for any Rump shares only.

The number of shares entitled to an Eligible Person will be calculated based on the number of Rights held thereby. The subscription monies that the subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Subscription Period by SAR (10).

By subscribing, the subscriber:

- Agrees to subscribe to the Company's shares in the number of such shares specified in the subscription application form;
- Declares that they have read the Prospectus and understood all of its contents;
- Accepts the Company's Bylaws and the terms mentioned in the Prospectus;
- Declares that it has not subscribed for the same shares under this offering and the Company has the right to reject all of their applications if it is proven that they submitted more than one application;
- Accepts the number of shares allocated thereto and all other subscription instructions and terms mentioned in the subscription application form and the Prospectus; and
- Warrants not to cancel or amend the subscription application form after submitting it to the Broker.

14.3 Subscription Application Form

Eligible Persons wishing to subscribe to all Rights Shares they are entitled to may do so through the investment portfolios in trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker and the Custodian of the shares.

The number of shares an Eligible Person is entitled to will be calculated based on the number of Rights held by the same Eligible Person. The subscription monies that the subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Subscription Period by SAR (10).

14.4 Trading Period, Subscription Period and Rump Offering Period

Eligible Shareholders wishing to subscribe to the Rights shall submit the subscription application during the Offering Period, which begins on [•]H (corresponding to [•]G) and ends on [•]H (corresponding to [•]G), during the period from ten (10:00 am) until two (2:00 pm).

Eligible shareholders wishing to trade in the Rights shall also submit a trading application during the Trading Period, which begins on [•]H (corresponding to [•]G) and ends on [•]H (corresponding to [•]G), during the period from ten (10:00 am) until three (3:00 pm).

The EGM on Capital Increase held on [•]H (corresponding to [•]G) approved the recommendation of the Board of Directors to increase the Company's share capital through a Rights Issue. Under this Prospectus, six hundred million (600,000,000) ordinary shares will be offered for subscription in the Rights Issue, representing [•]% of the Company's share capital before the Offering, at an Offering Price and nominal value of SAR (10) per share, with a total offering value of six billion (6,000,000,000) Saudi Riyals. The New Shares will be issued with one share for every one Right to shareholders, including Eligible Shareholders who purchased additional Rights along with their originally owned rights.

If Eligible Persons have not exercised the Rights by the end of the Offering Period, the Rump shares resulting from non-exercise or sale of those Rights will be offered to Institutional Investors in the Rump Offering Period.

Registered Shareholders may trade the Rights deposited in their portfolios via the Saudi Stock Exchange (Tadawul). These Rights are considered to be the acquired right of all shareholders recorded in the Company's shareholders register held with the Depository Center as of the close of the second trading day following the date of the EGM. Each Right grants its holder eligibility to subscribe for one new share at the Offering Price. The Rights will be deposited after the EGM. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue. Then, Registered Shareholders will be informed of the deposit of the Rights in their portfolios.

The schedule for the sequence and details of the Rights issue process will be as follows:

- **Eligibility Date:** End of trading on the day of the EGM on [•]H (corresponding to [•]G).
- **Trading Period and Subscription Period:** The trading period and Subscription offering period start on [•]H (corresponding to [•]G). The trading period will end on [•]H (corresponding to [•]G), while the Subscription offering period will continue until the end of the day on [•]H (corresponding to [•]G). It should be noted that trading in Shares shall be from ten (10:00 am) until three (3:00 pm), while subscription to Shares shall be from ten (10:00 am) until two (2:00 pm).
- **Rump Offering Period:** The Rump offering period starts on [•]H (corresponding to [•]G) at 10:00 AM until the following day at 5:00 PM on [•]H (corresponding to [•]G). Rump shares will be offered to a number of Institutional Investors, provided that such Institutional Investors shall submit offers to purchase the Rump shares. The Rump shares shall be allocated to Institutional Investors with the highest offer, then to the next one, (provided that it shall not be less than the Offering Price), and the allocation of those shares to Institutional Investors submitting the same offer will be pro rata. Fractional shares shall be added to the Rump shares and treated in the same way. The subscription price of the new unsubscribed shares for this period will be offered at the Offering Price, as the minimum price. In case the sale price of such shares is higher than the Offering Price, the difference (if any) shall be distributed as compensation to the Rights holders who did not exercise their rights in the subscription in proportion to their respective rights.
- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised by them. As for those entitled to Fractional Shares, Fractional Shares will be collected and offered to Institutional Investors during the Rump offering. The total Offering Price of the Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and Fractional Shares (in excess of Offering Price) shall be distributed to the Eligible Persons not later than [•]H (corresponding to [•]G).
- **Trading of the New Shares on Tadawul:** Trading in the New Shares will start on Tadawul upon the completion of all procedures relating to the registration, allocation and listing of the New Shares.

14.5 Eligible Persons not participating in the subscription for New Shares

Registered Shareholders who do not participate in whole or in part in the subscription for the New Shares shall be subject to a reduction in their Company shareholding as well as a reduction in the value of the Shares currently held thereby. Eligible persons who do not subscribe and do not sell their Rights shall be at risk of loss and Eligible Persons who do not participate in the subscription for the New Shares shall not receive any benefits or advantages in exchange for their outstanding Rights Shares other than cash compensation from the Rump Offering Proceeds in proportion to their respective entitlements (if any) at a price exceeding the Offering Price. In the event that Institutional Investors purchase the New Shares at a price exceeding the Offering Price during the Rump Offering Period.

In the event that Institutional Investors only wish to purchase the Rump Shares at the Offering Price or if Institutional Investors do not subscribe for the Rump Offering and the Underwrites subsequently purchase the Rump Shares at the Offering Price, Eligible Persons who did not participate in the subscription shall not receive any compensation for not exercising their Rights in the New Shares.

The compensation amount (if any) for Eligible Persons who did not participate fully or partially in the subscription for the New Shares and persons eligible to receive Fractional Shares shall be determined by dividing the compensation amount by the total number of Shares not subscribed for by Eligible Persons and persons eligible to receive Fractional Shares.

14.6 Allocations and Oversubscription Refunds

The Company and the Lead Managers shall open an Escrow Account in which the Offering Proceeds will be deposited.

The Rights Shares shall be allocated to the Eligible Persons based upon the number of Rights that they properly exercised. As for Shareholders entitled to Fractional Shares, these shall be accrued and offered to Institutional Investors during the Rump offering. The total Offering Price of the of Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and Fractional Shares (if any) (in excess of Offering Price) shall be distributed to the Eligible Persons not later than [•]H (corresponding to [•]G). Excess unsubscribed shares shall be purchased at the Offering Price by and allocated to the Underwriter. Investors who did not subscribe or sell their Shares, and holders of Fractional Shares shall not be compensated during the Rump offering.

Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Managers is expected to take place by depositing the shares into the accounts of subscribers. Eligible Persons shall contact the branch of the Broker through which the application is submitted for further information. Allocation of shares will be announced no later than [•]H (corresponding to [•]G).

Oversubscribed amounts (all the remaining proceeds resulting from the Offer, in excess of Offering Price) shall be refunded by the Underwriters to Eligible Persons who have not fully or partly participated in the subscription to Rights shares (if any), without any deductions or commissions, no later than [•]H (corresponding to [•]G).

14.7 Miscellaneous Terms

The Subscription application form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assignees, executors, administrators and heirs. Except as specifically indicated herein, neither the application nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

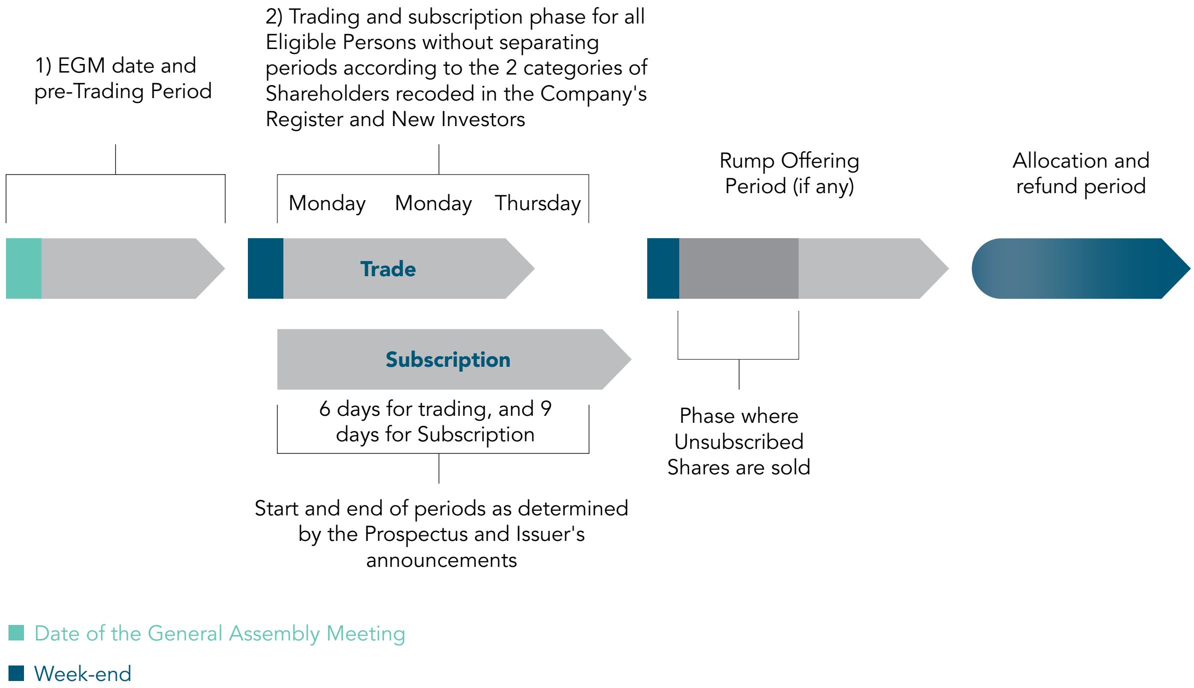
These instructions, conditions and receipt of any subscription application forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus may be distributed in Arabic and English. In case of conflict between the two texts, the Arabic text of the Prospectus shall prevail.

The CMA shall, at any time, issue a decision to suspend the Offering if it deems that the Offering could result in a violation of the CMA, its implementing regulations or market rules. The Offering may also be canceled if the EGM does not approve any of the details of the Offering.

Illustration of the trading and subscription mechanism for Tradable Rights

Figure (14.1): Mechanism for trading in and subscription for Tradable Rights



Q&A related to the New Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for New Shares upon approval of capital increase. They are acquired rights for all Shareholders who own shares at the date of the EGM on Capital Increase, and who are registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. Each Right grants its holder the right to subscribe for one New Share at the Offering Price.

Who is granted the Rights?

The Rights shall be granted to all Shareholders registered in the Company's Shareholders Register as of the close of the second trading day of the EGM on Capital Increase.

When are the Rights deposited?

Following the EGM and its approval to increase capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of shareholders registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. The New Rights appear in their portfolios under a new code for the Rights. These Rights cannot be traded or subscribed by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

How are Registered Shareholders notified of the Rights being deposited in their portfolios?

Registered Shareholders are notified through an announcement on the Tadawul website and through Tadawulaty Service provided by the Depository Center and SMS's sent through intermediaries/brokers.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is proportionate to the interest held by the Registered Shareholder in the Company's capital as determined in the Shareholders Register at the Depository Center as at the close of the second trading day after the EGM.

What is the Rights Issue eligibility ratio?

It is the ratio by which the Registered Shareholder can determine the Rights it is entitled to in relation to its shareholding under the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. It is calculated by dividing the number of New Shares by the number of the Company's Current Shares. Therefore, eligibility ratio is approximately (1.1236) rights for every (1) one share owned by the Registered Shareholder on the Eligibility Date. Accordingly, if a Registered Shareholder owns one thousand (1,000) shares on the Eligibility Date, (1.123) rights will be allocated thereto.

Will these Rights be tradable and will they be added to the Shareholders portfolios under the same name/symbol of the Company's shares, or will they be assigned a new name?

The vested Rights will be deposited in the investors' portfolios under the name of the original share, with the addition of the term "Priority Rights", and a new symbol assigned to these Rights.

What is the value of the Right upon commencement of trading?

The opening price of the Right is the difference between the closing price of the share on the day preceding the Rights listing and the Offering Price (the indicative value of the Right). For example (using hypothetical prices), if the closing price of a share on the preceding day is twenty-five Saudi Riyals (SAR 25) and the Offering Price is ten Saudi Riyals (SAR 10), the opening price of the Rights upon the commencement of trading will be fifteen Saudi Riyals (SAR 15), the difference between the two prices.

Who is a Registered Shareholder?

A shareholder who appears in the Company's Shareholders Register at the end of the second trading day after the EGM.

Can Registered Shareholders subscribe for additional shares?

Yes. Registered Shareholders can subscribe for additional shares by purchasing new Rights through Tadawul during the Trading Period.

Is it possible for a registered shareholder to lose their eligibility to subscribe even if they have the right to attend the EGM and vote on raising the capital through rights issue?

Yes, the Shareholder loses their eligibility to subscribe if they sell their shares on the day of the Extraordinary General Meeting or one working day before it.

How does the Subscription take place?

Subscription, as currently carried out, is done by submitting subscription requests during the Subscription Period through the investment portfolio in the trading platforms through which buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the broker and custodian in the Kingdom during the Subscription Period.

Can an Eligible Person subscribe to more shares than the Rights owned by him/her?

An Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

If the Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The rights will be deposited in the same portfolio in which the shares of the company connected to the rights are deposited. For example, if a shareholder holds one thousand (1,000) shares in the company (eight hundred (800) shares in portfolio (a) and two hundred (200) shares in portfolio (b), then the total rights (amounting to (1.122) rights, as each share has approximately 1.1236 rights) will be deposited. Therefore, (898) rights will be deposited in portfolio (a) and five hundred and (224) rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the New Shares be deposited after allocation?

Shares will be deposited to the investment portfolio given under the first subscription application form.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe, but they cannot trade until after depositing the certificates in investment portfolios through the receiving agents or Depository Center Company ("Edaa") and introducing the necessary documents.

How can share certificate holders obtain their Rights Issues?

Share certificate holders will receive their Rights Issues in proportion to their ownership, but they will not be deposited because the share certificates are not registered in investment portfolios with brokers and the Securities Depository Center Company ("Edaa") before the start of trading and the Subscription Period. If the procedures for depositing the certificates into the investment portfolio are not completed before the start of trading and the Subscription Period, the Underwriter will sell the shares resulting from those rights during the remaining Offering Period and transfer any amount exceeding the Offering Price (if any) to the Company, which shall retain these amounts until they are claimed by the share certificate holders. The Company must include proof of the existence of these amounts owed to the share certificate holders and the method of claiming them in the announcement pertaining to the distribution of the Compensation Payment (if any) to Eligible Persons.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell part of these Rights?

Yes, the investor may sell part of these Rights and subscribe for the remaining part.

When can a Shareholder subscribe for the Rights purchased thereby during the Trading Period?

Any time during the Subscription Period (i.e., until the ninth day) after settlement of the purchase of Rights (two business days).

Can a Rights holder sell or assign the Right after expiry of the Trading Period?

No. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the Rights Shares. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio.

What happens to the Rights that are unsold or unsubscribed for during the Subscription Period?

If the New Shares are not fully subscribed for during the Subscription Period, the remaining New Shares will be offered for subscription through an offering to be organized by the Lead Managers. The amount of compensation (if any) to the Rights holder will be calculated after deducting the subscription value and any other expenses according to the criteria defined by this Prospectus. The investor may not receive any consideration if the sale occurs during the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?

A shareholder registered in the Company's Shareholders Register at the Depository Center after the end of the trading session, on the date of the EGM, shall have the right to attend the EGM and vote on increasing the Company's share capital through a Rights Issue.

When is the share price adjusted as a result of increasing the Issuer's share capital through a Rights Issue?

The share price is adjusted by Tadawul before the start of trading on the day, subsequent to the EGM.

If an investor buys securities on the date of the EGM, will he/she be eligible for the Rights resulting from the increase of the Issuer's share capital?

Yes, as the investor will be registered in the Company Shareholders Register two business days after the date of the purchase of shares (i.e., at the end of the second trading day following the day of the EGM), bearing in mind that Rights will be granted to all shareholders registered in the Company Shareholders Register at the end of trading session on the second trading day following the date of the EGM. However, he/she may not attend or vote in the EGM on Capital Increase.

If an investor has more than one portfolio with more than one broker, how will their Rights be calculated?

The investor's shares will be distributed to their portfolios according to the percentage of shareholding in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest number of Rights.

What are the Trading and Offering Periods?

Trading in and subscription for the Rights shall commence at the same time until the end of trading on the sixth day. However, the subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

Is it possible to subscribe during the weekend?

No, it is not possible.

Can investors, who are not Registered Shareholders, subscribe for the Rights Shares?

Yes. Investors can subscribe for the Rights Shares upon completion of the purchase of Rights through Tadawul during the Trading Period.

Will there be any other fees for the trading in Rights?

The same commissions on buying and selling transactions for stocks will be applied, but without a minimum commission amount.

Resolutions and Approvals under which the shares shall be offered

On 25/07/1445H (corresponding 06/02/2024G), the Company's Board of Directors recommended that the Company's capital be increased through a Rights Issue of six billion (6,000,000,000) Saudi Riyals after obtaining the necessary regulatory approvals.

The Saudi Stock Exchange ("**Tadawul**") approved the application for listing the New Shares on 22/11/1445H (corresponding 30/05/2024G).

This Prospectus, together with the supporting documents required by CMA, has been approved on the day of announcement on CMA website on 25/01/1446H (corresponding to 31/07/2024G).

On [•]H (corresponding to [•]G), the EGM approved the Board's recommendation on capital increase as stated above. The increase will be restricted to eligible Registered Shareholders at the end of trading on the day of the EGM on Capital Increase.

Statements of any current arrangements to prevent disposal of certain shares

There are no current arrangements to prevent the disposal of certain shares.

15.
CHANGE IN SHARE PRICE AS A RESULT OF CAPITAL INCREASE

15. CHANGE IN SHARE PRICE AS A RESULT OF CAPITAL INCREASE

Change in the share price as a result of the capital increase

The closing price of the Company's share on the day of the EGM on Capital Increase is [•] and it is expected to reach [•] at the opening session next day, and the change represents a decrease of [•]%. Failure to subscribe to any of the shareholders registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the date of the EGM will lead to a decrease in their ownership percentage in the Company.

Method for calculating the Share Price as a result of Capital Increase is:

- First: Calculation of the market value of the Company at the close of trading on the date of the EGM on Capital Increase:

  Number of shares at the end of EGM multiplied by the closing price for the Company's share at the date of the EGM = market value of the Company at the close of trading at the date of the EGM on Capital Increase.

- Second: Calculation of the Share Price in the opening session on the day following the EGM on Capital Increase:

  (The market value of the Company at the close of trading on the date of EGM on Capital Increase + Value of Offer Shares) / (Number of shares at the end of the EGM on Capital Increase + the number of New Shares offered for subscription) = share price expected for the opening session on the day following the date of EGM on Capital Increase.

16.
RUMP OFFERING

16. RUMP OFFERING

In the event that any shares remain unsubscribed for during the Subscription offering period ("Rump Shares"), they will be offered to a number of Institutional Investors, provided that such Institutional Investors shall submit offers to purchase the Rump shares and the Fractional Shares. Receipt of such offers will start at 10:00 AM on [•]H (corresponding to [•]G) until the following day at 5:00 PM on [•]H (corresponding to [•]G). This Offering will be referred to as the Rump offering. The Rump shares will be allocated to the Institutional Investors by giving priority to the highest price per share offered by the relevant Institutional Investor (provided that it shall not be less than the Offering Price), with shares being allocated on a proportional basis among those Institutional Investors that have tendered offers at the same price.

Fractional entitlements to New Shares will be combined and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and Fractional Shares up to the paid Offering Price shall be distributed to the Company and any proceeds in excess of the Offering Price shall be distributed to the Eligible Persons who did not subscribe wholly or partly for New Shares and those entitled to Fractional Shares pro rata to their entitlement on [•]H (corresponding [•]G).

It is expected that trading in the New Shares will start on Tadawul system upon completion of all procedures relating to the registration and allocation of the New Shares.

The application for listing and offering of the New Shares has been submitted to the CMA, and the application for admission of such shares has been submitted to Tadawul.

17.
DECLARATIONS RELATING TO THE OFFERING

17. DECLARATIONS RELATING TO THE OFFERING

17.1 About the Subscription Application and Undertaking

Subscription can be made using trading platforms or any other means provided by the broker to investors. The New Shares will be subscribed for in a single stage as follows:

1- In this period, all Registered Shareholders and new investors will be allowed to subscribe for the New Shares.

2- A Registered Shareholder will be entitled to subscribe directly to the number of its shares during the offering Period. If it purchases new Rights, it may subscribe to them by the end of the settlement period (two working days).

3- New investors will be allowed to subscribe for New Shares by the end of the settlement period (two working days).

4- Subscription will be available online through investment portfolios in trading platforms and applications, through which sale and purchase orders are entered, as well as through other channels and means provided by the broker.

Each Right entitles its holder to subscribe for one new share, at the offering price. The subscriber to the New Shares shall acknowledge the following:

- Acceptance of all terms and conditions of subscription contained in this Prospectus.
- Reading this Prospectus and all its contents, carefully studied the same and understood its content.
- Acceptance of the Company's Bylaws.
- Undertaking not to cancel or modify the subscription application after its implementation.

17.2 Allocation process

The Rights Shares shall be allocated to the Eligible Persons based upon the number of Rights that they properly exercised. As for those entitled to Fractional Shares, Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering. The Total Offering Price of the Rump Shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump Shares and Fractional Shares (if any) (in excess of the Offering Price) shall be distributed to the Eligible Persons no later than [•]H (corresponding to [•]G). Excess Unsubscribed Shares shall be purchased under the Offering Price by and allocated to the Underwriters.

Eligible Persons shall contact at broker through which they have submitted the subscription application form to obtain any further information. Notification of the final allocation results will be made no later than [•]H (corresponding to [•]G).

17.3 Saudi Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi Arabian equities was introduced. Trading is performed on each Business Day from Sunday to Tuesday of each week from 10 am to 3 pm. During this period, the orders are executed. However, other than those times, orders can be entered, amended and deleted from 09:30 am until 10:00 am.

Transactions take place through the automatic matching of orders according to the price level. In general, market orders that are placed at best price are executed first, followed by limit orders that are placed at a price limit. If several orders are generated at the same time, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, in particular Tadawul website, which supplies trading data in real time to information providers such as Reuters. Transactions are automatically settled within two business days according to (T+2).

The Company should report all material decisions and information to the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.4 Trading the Company's shares on the Saudi Stock Exchange (Tadawul)

The application for listing and offering of the New Shares has been submitted to the Saudi Stock Exchange (Tadawul), and this Prospectus has been approved and all requirements have been met.

The listing and offering are expected to be approved, and trading is expected to commence on the Saudi Stock Exchange (Tadawul) once the final allocation of the rights has been concluded. An announcement will be made on Tadawul website in due course. The dates and times stated in this Prospectus are only provisional and may be changed subject to approval of the CMA.

Although the Current Shares are registered in Tadawul, it will only be possible to trade with the New Shares once the allocation of the New Shares has been approved and these have been deposited in the subscribers' portfolios. It is absolutely forbidden to trade in the New Shares until the allocation process has been approved.

Subscribers or proposal providers in the Rump Offering and who deal in restricted trading activities will be fully liable for their dealing in such activities, and the Company will not bear any legal liability in this case.

18.
DOCUMENTS AVAILABLE FOR INSPECTION

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18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office in Jeddah, Prince Faisal Ibn Fahd Road, Ashati District, during official working hours, from 9:00 am until 5:00 pm, fourteen (14) days before the date of the EGM on Capital Increase until the end of the Offering Period.

Company's Documents

- Commercial Registration Certificate.
- Bylaws.

Offering of Shares

The Capital Market Authority's approval of the Rights Issue, dated 25/01/1446H (corresponding to 31/07/2024G).

Tadawul's approval on the listing of the Rights Issue, dated 22/11/1445H (corresponding to 30/05/2024G).

Board of Directors' recommendation on the capital increase through a Rights Issue, dated 25/07/1445H (corresponding to 06/02/2024G).

The Extraordinary General Assembly's approval to the offering of shares issued on [•]H (corresponding to [•]G) (will be made available for inspection upon the issuance of the General Assembly resolution).

Reports, Letters, and Documents

- Underwriting Agreement referred to in Section 10 ("**Underwriting Agreement**").
- Market Study conducted by the Market Study Consultant.
- Written approval by:
  - The Financial Advisor, Underwriter and Lead Manager (Riyad Capital) to include its name, logo and any statements provided thereby in relation to this Prospectus.
  - The Lead Manager (ANB Capital) to include its name, logo and any statements provided thereby in relation to this Prospectus.
  - The Legal Advisor to the Issuer (Baker McKenzie Law Firm (formerly Abdulaziz bin Ibrahim Alajlan & Partners, Lawyers and Legal Advisors)) to include its name, logo and any statements provided thereby in relation to this Prospectus.
  - The Legal Advisor to the Financial Advisor, Lead Managers and Underwriters (Latham & Watkins LLP) to include its name, logo and any statements provided thereby in relation to this Prospectus.
  - The External Auditor (KPMG Professional Services) to include its name, logo and statements as the Company's Auditor for the audited financial statements for FY2021G, FY2022G and FY2023G, in this Prospectus.
  - The Market Study Consultant (Euromonitor International Ltd.) to include its name, logo and any statements provided thereby in relation to this Prospectus.

Savola Group Company

Headquarters Savola Tower

Ashati District, Prince Faisal Bin Fahd Road

Jeddah

+966-12-268-7755

savola.com/investors

savola.com