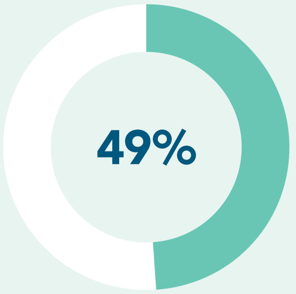
Retail Investments

Portfolio Overview

Panda Retail Company maintained its growth trajectory, driven by improved CXR store performance and cost optimization. Whereas for Herfy company, the key highlight of the year was the onboarding of a new management team, bringing regional and global Quick Service Restaurant (QSR) industry experience to Herfy. The management team is building capabilities and working to address key challenges for the business for the company.

209
Panda Stores

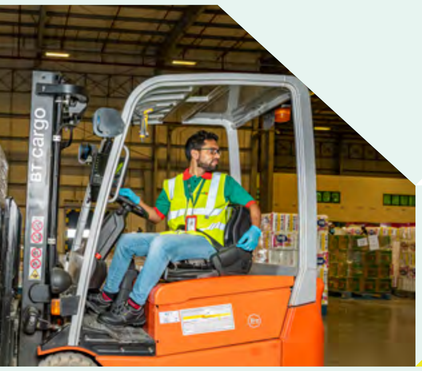
Saudi Arabia	Egypt
203 Panda Stores	**6** Panda Stores



402
Herfy Stores

Saudi Arabia	Kuwait
382 Herfy Stores	**7** Herfy Stores

Nigeria	Bangladesh
3 Herfy Stores	**10** Herfy Stores



Retail Investments

Panda Retail Company

Driving Innovation. Delivering Growth.

Panda Retail sustained its strong momentum in 2024, delivering exceptional profitability and nearly tripling net profit while reinforcing market leadership in an increasingly competitive landscape. Through strategic expansions, digital innovation, customer experience excellence and a strong commitment to sustainability, the company continued to create value and drive growth.

Total Sales

⃁ 10.6b

Panda's value growth rate

3.4%

In 2024, Panda's net profit increased to ⃁ 154 million from ⃁ 47 million in 2023, driven by total sales of ⃁ 10.6 billion, representing a market share of 21.1%. This growth was underpinned by its continued investments in the Customer Experience Renovation (CXR) program, new store openings and roll-out of digital transformation programs. The positive net profit margins are a result of further optimization of its operating expenses, which strengthened its bottom line.

To expand its base, Panda opened 16 new stores in Saudi Arabia and Egypt, bringing its network to over 209 locations. These openings were supported by strategic partnerships with real estate developers, focusing on customer segmentation and high-potential catchment areas.

It also made strides in operational efficiency by implementing cost optimization initiatives that streamlined processes, improved resource allocation and enhanced its organizational agility. At the same time, it continued to prioritize its workforce, developing strategies to attract and retain top talent. With a skilled and motivated team, it is well positioned to sustain growth momentum and deliver long-term value.

Maintaining Market Leadership amid Intense Competition

The FMCG market experienced modest growth of 2.6% over the past year, with Panda outpacing the sector at a robust 3.4% growth rate. This performance significantly outshone other hyper/supermarkets, which grew by just 0.53%.

While the hyper/supermarket network expanded by 10.5%, competitors pursued aggressive mass expansion, achieving a 20% network growth over the past three years. In contrast, Panda strategically optimized its network by focusing on store closures and revamps, prioritizing efficiency over sheer scale. Despite the intensified competition, Panda retained its leadership position and delivered year-over-year sales growth, maintaining its market share leadership in the hyper/supermarket segment.

Panda's like-for-like performance highlights its operational strength, with a 5.4% growth in sales value for the year, while competitors saw a decline of 0.9%, underscoring Panda's ability to navigate a competitive landscape, driving sustainable growth and strengthening its market position.

Net Revenue

⃁ 10.6b

2022	10.1
2023	10.3
2024	10.6

Gross Profit

⃁ 2.7b

2022	2.4
2023	2.5
2024	2.7

Net Income

⃁ 154m

2022	-158.2
2023	47
2024	154

Retail Investments

Panda Retail Company continued

Driving Progress toward Savola's Vision and Saudi Vision 2030

Panda aligns closely with Savola's vision and the ambitious goals of Saudi Vision 2030 through a range of transformative initiatives focused on sustainable growth, economic diversification and national development. It remains committed to sustainable growth, expanding its store network and product offerings, reinforcing Savola's focus on long-term performance and social responsibility. This positions Panda as a key contributor to the Kingdom's evolving retail landscape.

By opening new stores and forming strategic partnerships, Panda actively supports economic diversification and modernize retail experiences across Saudi Arabia. Its efforts also bolster local SMEs, complementing Vision 2030's objectives of fostering a dynamic and diversified economy. Its expansion contributes significantly to job creation, generating employment opportunities for Saudi nationals and directly supporting the Kingdom's national employment goals outlined in Vision 2030.

Through digital transformation, Panda continues to boost operational efficiency and enhance customer engagement. This aligns with the national agenda to create a thriving digitization of the economy. It prioritized health and wellness by growing its fresh food offerings, aligning with Savola's strategy to promote healthier lifestyles and Vision 2030's initiative to improve the quality of life for all citizens.

Shaping the Future through Digital Transformation

Over the past year, Panda has transformed its IT infrastructure and strengthened digital capabilities for sustained growth. By leveraging cutting-edge technologies, it is optimizing operations, improving customer experiences and innovation. Through advanced AI-driven tools, it is improving data analytics and decision-making, with a focus on pricing, promotions and category management.

Several key initiatives are already live and delivering impact. Panda's application for forecasting demand, powered by machine learning (ML) and AI, has grown fresh product demand forecasting accuracy by 10-15 points compared to traditional methods, helping the company better manage stock levels and reduce waste. Additionally, another application that was launched in late December, introduced ML-driven enhancements to promotional planning.

Moreover, Panda's retail price optimization tool, leverages ML to analyze regional trends and deliver more competitive pricing strategies. Advanced AI analytics, through in-memory analytics, are enhancing category performance analysis, providing actionable insight to refine decision-making and product offerings.

Panda's partnership with Extra, a leading Saudi electronics retailer, and the brand name Clix, has expanded to 45 locations across the network to expand the company's electronics offering, introducing a dedicated private label of entry-price-category products with excellent quality. This allows the positioning of Clix as a competitive destination for quality electronics at affordable prices.

In addition, Panda's collaboration with Ocado brought in global expertise and solutions in e-grocery delivery services, complementing its core retail grocery offerings. This partnership will provide Panda's customers with a better omnichannel experience, allowing them to shop either in-store or from the comfort of their homes. Furthermore, the company's efforts to integrate POS and customer relationship management (CRM) systems will provide personalized offers and strengthen customer engagement.

Championing Operational Excellence

Panda's operational advances have redefined its approach to retail, creating a robust and adaptable framework for growth. The company's Net Promoter Score (NPS) increased to 80, leading the market and reflecting the positive sentiment generated by its efforts. Footfall rose significantly, as it enriched the in-store experience, optimized the promotional mix and sourced the right product range to meet diverse customer needs.

Panda also developed its product availability and stock levels by centralizing distribution centers, upgrading routes and logistics, increasing fleet utilization and reducing stock loss. In e-commerce, it improved full-order fulfillment rates to 97% and expanded its online fulfillment hubs to more than 20 locations, servicing both the Panda app and third-party platforms.

It also introduced additional services, including click-and-collect, valet trolley and other niche options, at select locations to enhance convenience for its customers.

Driving Sustainability and Empowering our People

Panda reaffirmed its commitment to environmental responsibility with the publication of its first ESG Sustainability Report, aligning with Saudi Vision 2030 and showcasing progress toward a more sustainable future.

Panda's people remain central to its success; 2024 marked the introduction of several initiatives to expand employee development and engagement. The Panda Retail Excellence Program (PREP) was completed by all store managers and assistant store managers, equipping them with advanced skills to drive performance and operational excellence. The Tumooh program provided onboarding and on-the-job training for frontline retail colleagues, ensuring high-quality service delivery. Additionally, Panda implemented a succession plan, supported by an assessment center to identify and develop future leaders, resulting in the promotion of a number of employees, which strengthened its leadership pipeline.

These efforts to enhance employee well-being and professional growth earned Panda the Best Place to Work award, reinforcing its commitment to fostering an inclusive, high-performance workplace. Through continued investment in sustainability and people, Panda is building a resilient and responsible organization, well positioned for long-term success.

Paving the Way for Growth in 2025

Panda enters 2025 with a clear and strategic vision, focused on driving growth, innovation and delivering exceptional customer experiences. To strengthen its market presence, it will execute its calculated expansion plans to its store network by opening new locations, with a strategic focus on main cities like Riyadh, which align with customer demographics growth and preferences.

Simultaneously, investments in technology and infrastructure, and strategic partnerships will scale up Panda's e-commerce platform, improve fresh product offerings in the store and enable new monetization opportunities from data and media.

Panda's CXR program will continue to modernize stores to make sure of a seamless and enjoyable shopping experience for every customer. Panda will also revamp its loyalty program to introduce a new value proposition designed to retain and entertain existing and new customers.

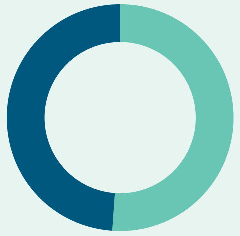
To support these efforts, Panda will focus on talent development by implementing leadership training and employee engagement programs to attract, develop and retain top talent. These initiatives will foster a high-performance culture and ensure it has a motivated and capable team championing its success.

By executing on these priorities, Panda is poised to meet the evolving needs of its customers and solidify its position as a leader in the retail landscape for years to come.

Retail Investments

Herfy Food Services

Established in 1981, Herfy Food Services Company is Saudi Arabia's leading fast-food chain, operating 382 branches across the Kingdom and extending its footprint internationally with franchises in Kuwait, Bangladesh, and Nigeria.



49%
Savola

Net Revenue

⃁ 1.12b

In addition to its fast-food operations, Herfy operates pastry shops across various regions in Saudi Arabia. As a diversified and integrated enterprise, the company generates value through its bakery, cake, rusk, and meat processing operations, ensuring high-quality offerings across its product lines and reinforcing its position as a trusted name in the region's food industry.

Financial Highlights

Herfy had a challenging financial year in 2024, with a significant decline in its performance driven primarily by higher costs of goods sold and a notable increase in selling, marketing, general, and administrative expenses. These challenges were compounded by an increase in Zakat expense, as a result of Zakat settlements relating to previous years, further aggravating the Company's losses.

Herfy's revenue fell by 4% to ⃁ 1.12 billion (2023: ⃁ 1.17 billion) with gross profit showing a 24% decrease at ⃁ 217 million (2023: ⃁ 284 million), while net loss reached ⃁ (-116.5) million (2023: ⃁ 8.39 million).

Strategic and Operational Highlights

A key highlight of the year was the onboarding of a new management team, bringing regional and global Quick Service Restaurant ('QSR') industry experience to Herfy. The management team is building capabilities and working to address key challenges for the business, including intensifying competition, the growing influence of food aggregators, and adverse global macroeconomic factors. These pressures contributed to higher input costs and ongoing supply chain disruptions, further impacting performance.

Net Income (loss)

⃁ -116.52m

Year	Net Income (loss)
2022	3.55
2023	8.39
2024	-116.52

Net Revenue

⃁ 1.12b

Year	Net Revenue
2022	1.24
2023	1.17
2024	1.12

Gross Profit

⃁ 217m

Year	Gross Profit
2022	307
2023	284
2024	217

Risk Management

Savola Risk Management Approach

a. Risk management overview

The Group, like any other economic entity, may be affected by risks through the nature of its commercial activities in basic food commodities, retail and other investments. These risks may be summarized as follows:

- Operational, financial, strategic, regulatory and compliance risks
- The possibility of the Group operations being exposed to geopolitical risks that result from its operations outside the Kingdom
- Risk of commodities and raw materials price volatility in the local and international markets where it operates
- Risk of geographic expansion and competition pertaining to new markets in the region
- Fluctuations in foreign currency exchange rates, particularly against the Saudi Riyal or other currencies in the countries in which the Group operates
- Inflation in the economies of countries where the Group operates.
- Risks related to new investments
- Any emerging risks the Group may be exposed to during its operations

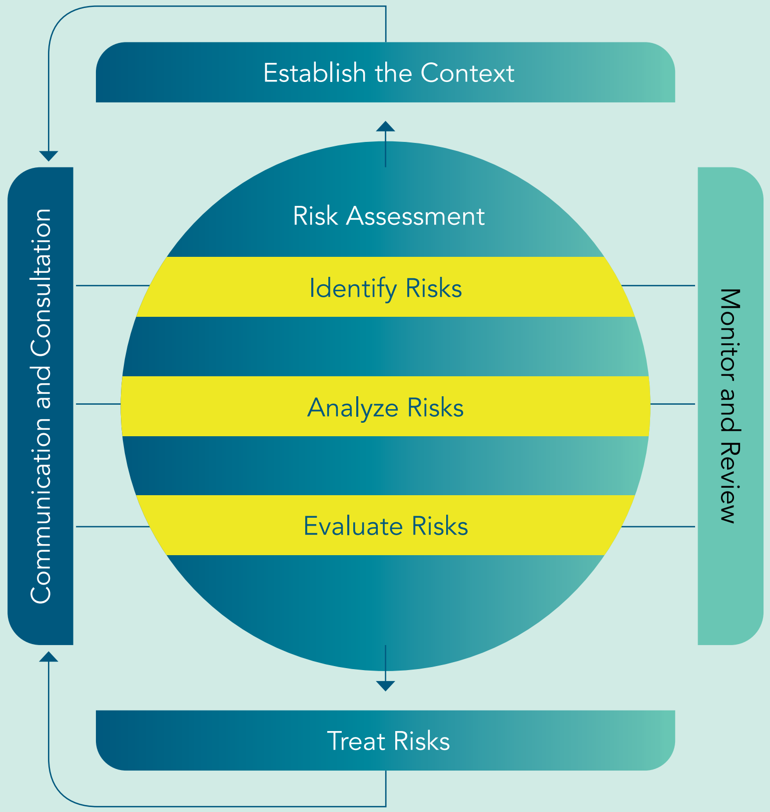
The Group and its subsidiaries manage these risks through the Board of Directors, the Audit Committee, Executive management and various departments and task forces within the Group. This encompasses a dedicated Risk Management department at the holding level and across its major subsidiaries, including Savola Foods Company and Panda.

Savola seeks to protect its stakeholders, reputation and the value of its assets, and is committed to consistently developing its risk management culture by way of its risk governance framework and continual team development.

b. Enterprise risk management framework

In line with the market best practices Savola has an integrated enterprise risk management (ERM) framework to support the success of the business and achieve its strategic goals through a collaborative risk management environment that proactively identifies, monitors and mitigates risks. The framework has been developed in line with current leading ERM practices and ISO 31000.

In developing the ERM framework, the focus was to design a process that addresses Savola's business needs while remaining simple and pragmatic. Savola's ERM framework outlines the series of activities Savola uses in identifying, assessing and managing its risks. The framework ensures risk is being managed through a common set of processes at Savola, which enable the flow of risk information to the person with the authority and responsibility for making decisions pertaining to the activity associated with the risk. By establishing a common language and set of tools, Savola's risk management process can be replicated at any level within the Group.



In line with the continuous efforts to strengthen risk management culture and capabilities, Savola has:

- Established a dedicated risk management function at the Group and its main subsidiaries. The function comprises a dedicated team leading the risk management activities at enterprise level, as well as assigned risk champions who implement risk management activities within respective business functions.
- Set a risk management framework and governance policy, approved by the Board of Directors.
- Conducted multiple risk awareness sessions across the Group and its subsidiaries.
- Conducted a risk assessment for various key functions at the Group and its main subsidiaries.
- Proactively identified emerging external risks and communicated them with the relative functions for assessment.
- Implemented a governance, risk and compliance (GRC) system to enhance managing risk assessments, registers, management issues, key risk indicators, policy management and internal audit at Savola and its main subsidiaries; Savola Foods Company and Panda, autonomously.
- Developed a risk appetite framework.
- Set the Group's risk appetite statement, approved by the Board of Directors.
- Developed key risk indicators (KRI).
- Established an Executive Risk Management Committee (ERMC) at the holding level, that aims to:
  - Assess and challenge risk decisions
  - Monitor and provide insight to the risk management process
  - Provide recommendations to the board

Risk Management continued

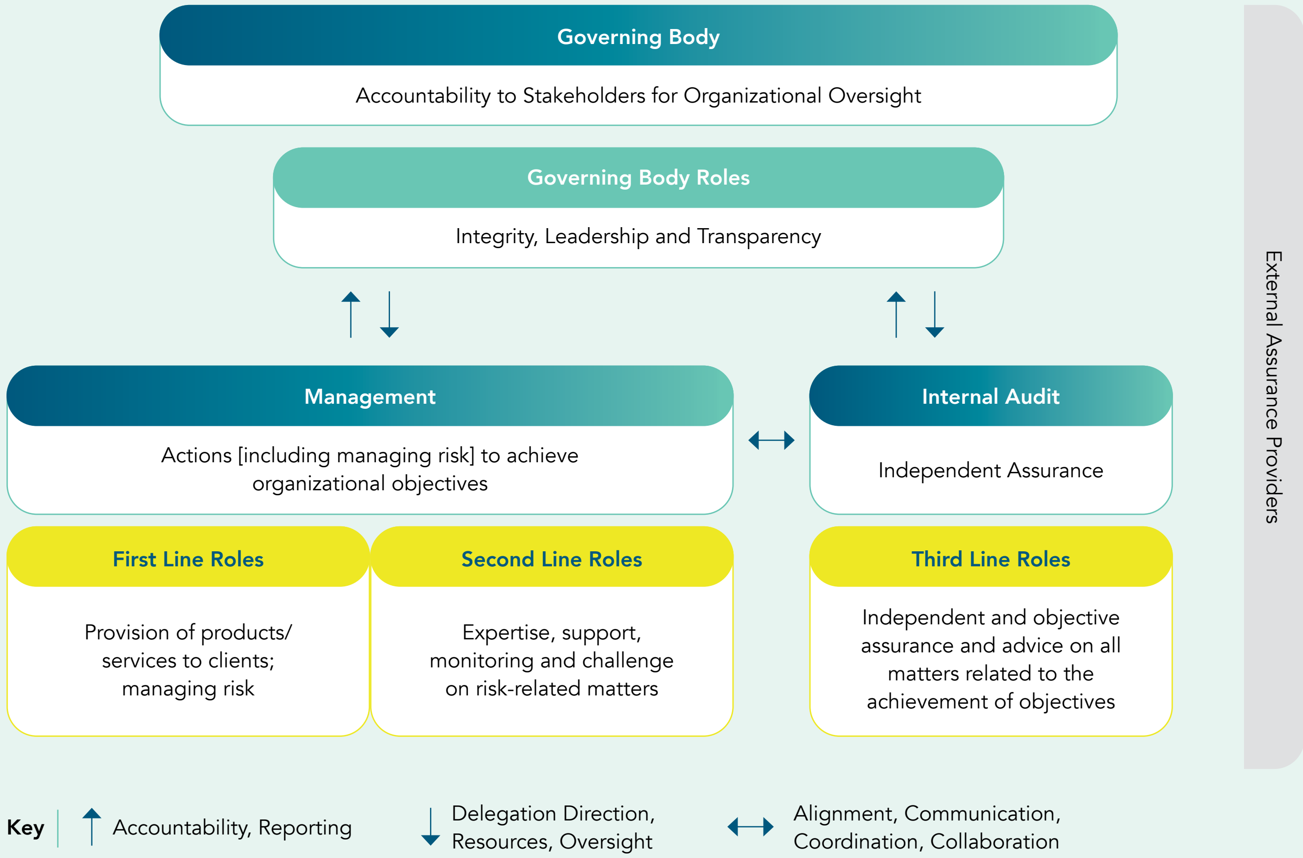
c. Channels to communicate and enforce the risk culture

- Three Lines Model

Savola operates a Three Lines Model to guarantee accountability across the Group for governance, monitoring, reporting and management of risks, and the control environment.

Each of the Three Lines plays a distinct role within Savola's wider governance framework. The Board, management and internal auditors are the primary stakeholders served by the Three Lines Model, and they are the parties best positioned to help in ensuring the Three Lines Model is reflected in Savola's risk management and internal control processes.

Three Lines of Defense



Financial Instruments and Risk Management

a. Financial risk management

The Group's 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
- Liquidity risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

b. Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

The Board of Directors is ultimately responsible for establishing and overseeing the Group's risk management framework. The Executive management team takes charge of developing and monitoring the Group's risk management policies. This team meets regularly and reports any updates or compliance issues to the Board of Directors.

Risk management systems are reviewed regularly by the executive team to reflect changes in market conditions and the Group's activities. The Group, through its training programs, management standards, and procedures aims to develop a disciplined and constructive control environment in which all employees understand of their responsibilities and obligations.

The audit committee oversees compliance by management with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, term deposits, trade and other receivables, investments measured at fair value, loans and borrowings, lease liabilities, derivatives, trade payables and accrued, and other current liabilities. The particular recognition methods adapted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

c. Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

Currency risk

Currency risk is the risk the value of a financial instrument will fluctuate owing to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, United Arab Emirates Dirhams, Sudanese Pounds and Turkish Lira.

The Group operates internationally and is exposed to foreign exchange risk. The Group's investments are in these foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are largely related to exchange rate movements between foreign currencies against Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Such fluctuations are recorded as a separate component of equity 'Foreign Currency Translation Reserve' in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowings. This provides an economic hedge without derivatives being entered into; therefore, hedge accounting is not applied in these circumstances. The Group's investments in foreign subsidiaries are not hedged.

Risk Management continued

Price risk

The risk that the value of a financial instrument may vary owing to changes in market prices, whether driven by factors specific to the individual instrument or its issuer, or by factors influencing all instruments traded in the market. The Group faces equity securities price risk because it holds investments in certain listed equities classified as FVOCI investments on the statement of financial position. The Group's management monitors the proportion of equity securities in its investment portfolio relative to market indices. These investments are managed individually, with all buy-and-sell decisions requiring approval from the Investment Committee. Additionally, United Sugar Company uses derivative financial instruments, such as commodity futures contracts, to hedge against raw material price risk in the sugar business.

Furthermore, as disclosed in Note 12 of the Group's audited financial statements for the year ended 31 December 2024, the put option is periodically valued based on Black Scholes' model using certain assumptions including the sugar prices; the fluctuations of which affects the valuations. Details of the Group's investment portfolio, exposed to price risk at the reporting date, are disclosed in Note 9 to the Group's audited financial statements. As at 31 December 2024, the company's overall exposure to price risk is limited to the fair value of those positions.

d. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration on credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. By grouping customers, the management also regularly monitors the credit exposure towards the customers whereby the customers are grouped according to their credit characteristics, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics: geographic region, age of customer relationship and type of product purchased.

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

i) Other receivables

Impairment on other receivables has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures having low credit risk.

ii) Cash and cash equivalents

Impairment on cash and cash equivalents and term deposits has been measured on a lifetime expected loss basis and reflects the short maturities of the exposures. The Group considers its cash and cash equivalents and term deposits have low credit risk based on the external credit ratings of the counterparties.

Cash and cash equivalents, term deposits and derivative financial instruments include balances, which are held with banks with sound credit ratings ranging from (AA-) to (B).

e. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis so that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's approach to managing liquidity is to, as far as possible, make sure it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressful conditions, without incurring unacceptable losses or risking damage to the Group's reputation. On 31 December 2024, the Group has a net current liability position. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements. As at December 31, 2024, the Group has unused bank financing facilities amounting to ⃁ 5.3 billion (December 31, 2023: ⃁ 6.0 billion) to manage the short term and the long term liquidity requirements.

f. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

For further details, the same item can be reviewed in the clarification notes accompanying the Group's consolidated financial statements for 2024.