

CHAIRMAN'S STATEMENT

Maintaining Strategic Focus and Transforming for the Future



Savola Group has maintained focus on its strategy throughout 2021, building the foundations necessary for its transformation and investing strategically to achieve future growth plans, despite persistent headwinds as a result of the continued pandemic environment.

The year saw Savola Group exhibit considerable resilience to achieve a solid performance across the majority of our operating companies and countries where we operate, by adapting to changing market and demand dynamics with agility and purpose.

We are driven by our core corporate values, which are evident across all facets of the Group's business and serve as the foundations of our

ongoing transformation, progress, and success. By applying the key pillars of this approach – Persistence, Righteousness, Integrity and Fulfilment – on a daily basis, Savola continues to create 'Value based on Values', including through efforts to establish the Group as the socially and environmentally responsible employer of choice in the Saudi food and retail industry.

Saudi Vision 2030



Savola is committed to realizing the goals of Saudi Vision 2030, and continues to engage with national entities through initiatives that seek to advance progress toward the Kingdom's socio-economic development objectives.

Nurturing our People

Savola Group is dedicated to providing a safe, secure and rewarding working environment in which our people can grow and succeed. We are proud of the diversity of our workforce, and seek to create an equitable balance of male, female and people with disabilities among our staff. We maintained our exceptional employee retention rate at 92.59% of our total workforce during 2021.

A testament to our drive toward inclusivity, Savola joined the Valuable 500 global initiative in 2021, which aims to enhance the inclusion of people with disabilities through the business sector as a major driver of social change.

We also take pride in our leading position in the sector with regard to Saudization, embodied by the Platinum Nitaqat rating maintained at our HQ. Saudi nationals now represent over 73% of our workforce, demonstrating the depths of our commitment to the objectives of Saudi Vision of 2030.

In 2021 we delivered a range of initiatives to support our staff and provide a uniquely rewarding culture, including our Long-Term Incentive Program (LTIP) for our senior management team, employee recognition initiatives, and "Tawer" Employee Engagement Program.

Robust Environmental, Social and Corporate Governance Structures

In order to consolidate Group social responsibility and government relations activities under a common vision and purpose in 2021, Savola established 3 new management committees to promote knowledge exchange in vital areas – the Government Relations Committee, the Corporate Social Responsibility (CSR) Committee and the Sustainability and Environment Committee.

Across these new committees, Savola aims to establish and maintain effective relationships with key ministries and other relevant government bodies; align Group

CSR efforts through multiple programs and activities; and implement the Group's environmental initiatives, whilst also providing oversight for all activities in the areas of energy, water, waste management, recycling and gas emissions.

Our commitment to sustainability remains at the heart of the Group's strategy and is embodied by the work of the Savola World Foundation, our dedicated CSR vehicle tasked with promoting business assistance, youth skills development and environmental stewardship in the Kingdom.

Meanwhile, our robust Corporate Governance structures serve to propel continued success in meeting our commitments with respect to transparency and accountability, while also fulfilling our promises to our shareholders, employees and other stakeholders across our operations and geographic footprint. As a culmination of these efforts, Savola was rated among the top 10 companies in the Kingdom in the Corporate Governance Index (CGI) for the third consecutive year by the Corporate Governance Center of Alfaisal University.

Supporting the Kingdom's Vision 2030

Savola is committed to realizing the goals of Saudi Vision 2030, and continues to engage with national entities through initiatives that seek to advance progress toward the Kingdom's socio-economic development objectives.

Showcasing our commitments to national economic objectives, our brands such as Panda, Afia, Alosra, and Alarabi, remain distinguished 'Made in KSA' brands with regional aspirations, reflecting the key goals of Saudi Vision 2030.

In 2021, the Group engaged with the "Forsa" business assistance program, an initiative of the Human Resources Development Fund that seeks to connect SMEs with procurement opportunities in major entities, thereby accelerating their contribution to the national economy. Afia International, United Sugar Company and Al Kabeer Group have all now registered on the Forsa platform.

The Savola World Foundation liaised with the General Authority for Small and Medium Enterprises (Monsha'at) in 2021 to study proposals to support SMEs and micro-businesses in the Kingdom. The focus of the Foundation's engagement with Monsha'at was on the means to diversify GDP by supporting local companies operating in food, retail and other relevant industries.

The Foundation also engaged with the National Transformation Program in 2021, establishing cooperative links with relevant official authorities to achieve common social and economic goals.

Acknowledgements

On behalf of the Board, I wish to thank the Saudi Government, our shareholders and stakeholders for their continued support throughout 2021, as Savola builds upon its extensive legacy to deliver 'Value based on Values' for our customers across the Kingdom and beyond.

I would also like to thank our skilled Executive Management team for their foresight, leadership and adaptability in navigating the challenges we have faced in recent years.

Above all, I wish to express my appreciation to our dedicated employees, whose tireless efforts continue to propel the Group toward success and growth.

As we enter 2022, we remain committed to delivering increasing value for all of our stakeholders by building on our success to achieve sustainable social, environmental and financial returns.

Sulaiman A. Al Muhaidib
Chairman

GROUP CEO'S MESSAGE

An Active Capital Deployment Strategy to Invest in Our Future



As a leading strategic investment holding company in the Kingdom, Savola Group delivered solid results across most of its verticals despite a very high food commodity global pricing environment and a challenging retail landscape in Saudi Arabia.

During this year, we successfully allocated capital to accelerate our businesses' strategic transformation, including our acquisition of Bayara Holding Company in the UAE – a testament to this philosophy.

Our efficient procurement and supply chain management ensured an improvement in the profitability of our food business, despite global freight and supply chain challenges.

Whilst the Group implemented measures to offset increases to input costs through price increases, grocery sales in the Kingdom during 2021 were significantly impacted by a decline in disposable income, due to the VAT increase, that has increased preference for value-for-money products. Consequently, the hypermarket/supermarket channel in our home market recorded a contraction of 9%, whilst the VAT-adjusted fast-moving consumer goods market declined by 4.8% across 2021.

Group Performance During 2021

Group revenues for 2021 reached SAR 24.7 billion, representing an improvement of 14% over 2020 and a 15% increase compared to pre-pandemic levels in 2019.

Revenues from our Food business rose by 46% year on year to reach SAR 12,630 million. At the same time, the food services segment reported a 22% growth in revenue compared to 2020 to reach SAR 1,314 million. The improvement in results of the Food business was on the back of a recovery in B2B volumes and higher pricing of products.

On the other hand, the Group's Retail segment reported 10% decline in revenue, mainly due to lower basket sizes as result of lower disposable income and the impact of the high base effect of the previous year, reflecting the continuing challenges and pressure on the Saudi modern trade and retail sector.

Savola Foods Company's (SFC) innovation pipeline remained robust, as it delivered a high product rollout rate in 2021 in the B2B space, with numerous new product launches covering multiple segments. Al Kabeer continued to provide high-quality frozen foods to customers, despite supply chain challenges.

Meanwhile, Herfy showed an exceptional speedy recovery post pandemic, which was in line with the B2B recovery mentioned earlier, despite the supply chain challenges.

Our Corporate Growth Strategy

Our robust growth strategy ensured a positive trajectory, despite unabated market disruption, as the Group continues on its transformation journey by investing towards value-added food categories and retail customer experience.

SFC saw improved demands in the B2B and hotel, restaurant and catering (HORECA) segments, as consumers gradually returned to public outlets through the year.

2021 marked a strong start to SFC's ABCD (Anchor, Bet, Conquer, Disrupt) growth strategy. SFC continued to innovate in its core product portfolio, as part of its Anchor pillar. SFC also acquired Bayara in 2021, a leading spices, nuts and snacks business out of the UAE, to activate its Conquer pillar. This acquisition will further SFC's

strategic aim to expand into segments targeting younger generations and enabling the Group to tap into new high-growth, and high-margin segments.

Finally, as part of its Bet pillar, along with a commitment to innovation, SFC has invested into Munchbox, one of the exciting new brands focusing on healthy snacks.

Panda finalized its customer experience program (CX), which encompassed an updated footprint strategy in 2021. A pilot program was completed in 2021 that demonstrated encouraging initial results for the future of the program as it rolls out in the coming years.

To enhance the in-store experience for customers, Panda deployed the necessary technology infrastructure to augment its operations and enrich the customer experience.

As part of Savola's ongoing digitalization journey, we have committed to major investments in technology to establish a data-driven organization with an unrivalled understanding of consumer behavior.

During the year, SFC also accelerated its innovation agenda through the launch of a major manufacturing digital transformation project, in partnership with global leaders Deloitte and Amazon Web Services. The ambitious project is designed to establish a Smart Factory with cutting-edge technologies to drive efficiency, productivity and safety that will create significant value for our business and stakeholders.

Investing in and Caring for Our People

We continue to position the Group as the employer of choice in the food and retail industries, providing an extensive offering of career advancement opportunities, health and wellness schemes, and employee engagement activities.

Throughout 2021, we remained committed to protecting our people and customers from the ongoing threat posed by the COVID-19 pandemic, reflecting the key priority of our dynamic HR strategy to preserve health and wellbeing across the Group.

Building on our employee value proposition, Savola remains focused on providing a working environment in which our people can grow, thrive and excel, supported by opportunities for self-advancement and professional development.

Food Investments Revenue

(SAR)

13.27bn

The improvement in results of the Food business was on the back of a recovery in B2B volumes and higher pricing of products.

We continued to deliver professional development and training programs for our employees at all levels, achieving most of our learning plan for the year, and collaborated with INSEAD to develop high-potential future leaders by enrolling them in the Developing Emerging Leaders Program.

Acknowledgements

I wish to thank our communities and customers for their continued trust in Savola's ability to consistently meet their everyday needs, and for their support for our stores and brands. We will continue to ensure this support is repaid by delivering exceptional product value and increasingly user-friendly services across our footprint.

I would also like to express my gratitude to our Chairman and Board for their perceptive guidance and support, and to our Executive team, which has demonstrated considerable aptitude in navigating the challenging market conditions in 2021.

Finally, I am indebted to our employees across the Group for their hard work and dedication to our success in uncertain and challenging times.

Waleed Khalid Fatani

Group Chief Executive Officer

CFO's Review



During 2021, Savola Group demonstrated resilience in delivering a robust performance in every business segment, besides Retail, despite headwinds from inflationary pressures and macroeconomic challenges across all territories.

Our focus will remain on integration of investments to leverage our strength in the Food Processing segment and optimization of our systems to enhance efficiency in our operating model.



Net income for 2021 was SAR 222 million, a contraction from the previous year (2020: SAR 911 million). The Group's results were impacted by a one-off non-cash impairment charge, that amounted to SAR 422 million, lower profitability in the Retail segment and a lower share of income from associates. The impairment charge was the result of a corresponding assessment against certain right-of-use assets, property and equipment and investment in an associate, in accordance with the requirements of IFRS.

Consolidated revenue for 2021 grew by 13.7% to reach SAR 24,669 million (2020: SAR 21,702 million). Top-line growth was primarily achieved on the back of higher volumes in the Food Processing and Food Services segments, which were favorably impacted by higher demand for out-of-home consumption. On the other hand, Retail revenue declined in 2021 due to the higher base established in the previous year and the full-year impact of the VAT increase in Saudi Arabia. Our performance in core markets – the GCC and Egypt– contributed 83% to consolidated revenue and 61% to consolidated net income during 2021 (2020: 88% and 45%, respectively).

Consolidated EBITDA for 2021, amounting to SAR 2,504 million, was lower when compared to the previous year (2020: SAR 2,832 million), mainly due to the decline in the Retail segment's revenue and profitability, despite significant improvement in the Food Processing and Food Services segments.

The Group's net debt increased by 22% to reach SAR 7,086 million as of year-end 2021 (2020: SAR 5,807 million), due to funding requirements for the acquisition of Bayara Holding Limited, UAE, and an increase in financing for working capital driven by higher commodity prices.

In line with the Group's policy to distribute cash dividends, the Board of Directors approved cash dividends to the shareholders of SAR 0.20 per share for the year 2021.

Looking ahead, our focus will remain on integration of investments to diversify our capability in the Food Processing segment and optimization of our systems to enhance efficiency in our operating model. We look forward to embracing these opportunities by capitalizing on the collective strength of our people, guided by our values, to continue to deliver 'Value based on Values'.

Wajid Usman Khan
Group Chief Financial Officer

Consolidated Revenue (SAR)

24.7bn

Top-line growth was primarily achieved on the back of higher volumes in the Food Processing and Food Services segments, which were favorably impacted by higher demand for out-of-home consumption.