



KINGDOM HOLDING COMPANY

(A Saudi Joint Stock Company)

**Condensed Consolidated Interim Financial
Statements**

**For the three and nine -month periods ended
30 September 2020
(Unaudited)**

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
For the three-month and nine-month periods ended 30 September 2020

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of Kingdom Holding Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Kingdom Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2020 and the related condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the condensed consolidated statements of changes in equity and cash flows for the nine-month period ended 30 September 2020 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

11 November 2020

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
ASSETS			
Current assets			
Cash and bank balances		2,655,245	1,637,560
Investments at fair value through profit or loss ("FVTPL")	6	170,756	-
Trade and other receivables		419,245	492,064
Prepayments and other current assets		306,067	193,131
Due from related parties		132,952	98,436
Assets held for sale		-	30,946
Total current assets		3,684,265	2,452,137
Non-current assets			
Investments at FVTPL	6	213,525	1,217,053
Investments at fair value through other comprehensive income ("FVOCI")	6	11,167,445	11,502,427
Equity-accounted investees	8	18,613,591	19,562,668
Investment properties		4,223,862	4,253,279
Property and equipment		6,931,711	6,855,011
Goodwill and intangible assets		1,914,385	1,931,628
Deferred tax assets		36,976	8,477
Other long-term assets		337,906	587,763
Total non-current assets		43,439,401	45,918,306
Total assets		47,123,666	48,370,443
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Borrowings	9	875,499	1,986,094
Accounts payable, accrued expenses and other liabilities		769,793	734,302
Zakat and income tax payable		161,603	131,004
Due to related parties		120,442	118,496
Dividends payable	14	328,062	163,985
Total current liabilities		2,255,399	3,133,881
Non-current liabilities			
Borrowings	9	15,244,978	11,397,219
Due to a related party		142,790	136,616
Deferred tax liabilities		159,917	155,027
Employee benefit obligations		148,328	153,538
Other long-term liabilities		63,317	50,933
Total non-current liabilities		15,759,330	11,893,333
Total liabilities		18,014,729	15,027,214
Net assets		29,108,937	33,343,229
EQUITY			
Share capital		37,058,823	37,058,823
Statutory reserve		775,606	775,606
Retained earnings		150,039	945,004
Fair value reserve for investments at FVOCI		(11,109,829)	(7,420,869)
Other reserves		392,201	118,562
Equity attributable to shareholders of the Company		27,266,840	31,477,126
Non-controlling interests		1,842,097	1,866,103
Net equity		29,108,937	33,343,229

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
(Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended		Nine-month period ended	
		30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Revenues					
Hotels and other operating revenues		183,661	432,357	643,822	1,257,062
Dividend income		116,708	57,285	231,274	158,348
(Loss) / gain on investments at FVTPL	7	-	(442,058)	37,696	24,835
Total revenues		300,369	47,584	912,792	1,440,245
Hotels and other operating costs		(191,720)	(313,620)	(598,551)	(852,558)
Gross profit/ (loss)		108,649	(266,036)	314,241	587,687
General, administrative and marketing expenses		(67,588)	(55,846)	(224,041)	(377,715)
Reversal of impairment/ (impairment) of financial assets		13,192	80,000	(4,760)	(42,844)
Share of results from equity-accounted investees		(114,786)	425,570	(562,711)	730,812
Other (losses)/ gains, net	11	(26,491)	85,356	(502,724)	81,402
(Loss)/ income from operations		(87,024)	269,044	(979,995)	979,342
Financial charges		(101,740)	(157,640)	(340,925)	(453,642)
(Loss)/ profit before zakat and income tax		(188,764)	111,404	(1,320,920)	525,700
Income tax		(5,551)	(25,366)	(21,285)	(61,114)
Zakat		(22,223)	(4,142)	(67,250)	(63,316)
(Loss)/ profit for the period		(216,538)	81,896	(1,409,455)	401,270
(Loss)/ profit for the period attributable to:					
- Owners of the Company		(192,727)	86,804	(1,369,598)	401,805
- Non-controlling interests		(23,811)	(4,908)	(39,857)	(535)
		(216,538)	81,896	(1,409,455)	401,270
Basic and diluted (loss)/ earnings per share (Saudi Riyals)	15	(0.06)	0.02	(0.38)	0.11

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KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended		Nine-month period ended	
		30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
(Loss)/ profit for the period		(216,538)	81,896	(1,409,455)	401,270
Other comprehensive (loss)/ income:					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Net changes in fair value of investments at FVOCI		(324,718)	(238,075)	(2,458,386)	2,344,039
<i>Items that may be reclassified subsequently to profit or loss</i>					
Share in other comprehensive income of equity-accounted investees	8	(30,860)	49,731	(47,717)	224,612
Exchange differences on translation of foreign operations		306,706	(105,560)	337,207	(170,349)
		(48,872)	(293,904)	(2,168,896)	2,398,302
Total comprehensive (loss)/ income for the period		(265,410)	(212,008)	(3,578,351)	2,799,572
Total comprehensive (loss)/ income for the period attributable to:					
- Owners of the Company		(242,212)	(205,387)	(3,554,345)	2,797,484
- Non-controlling interests		(23,198)	(6,621)	(24,006)	2,088
		(265,410)	(212,008)	(3,578,351)	2,799,572

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KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve for investments at FVOCI	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Net equity
Balance at 31 December 2019 (Audited)	37,058,823	775,606	945,004	(7,420,869)	118,562	31,477,126	1,866,103	33,343,229
Loss for the period	-	-	(1,369,598)	-	-	(1,369,598)	(39,857)	(1,409,455)
Other comprehensive (loss) / income	-	-	-	(2,458,386)	273,639	(2,184,747)	15,851	(2,168,896)
Total comprehensive (loss) / income	-	-	(1,369,598)	(2,458,386)	273,639	(3,554,345)	(24,006)	(3,578,351)
Transfer of gain on disposal of equity investments at FVOCI to retained earnings (Note 6)	-	-	1,230,574	(1,230,574)	-	-	-	-
Transactions with owners in their capacity as owners:								
Dividends declared (Note 14)	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 September 2020 (Unaudited)	37,058,823	775,606	150,039	(11,109,829)	392,201	27,266,840	1,842,097	29,108,937

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:




KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve for investment at FVOCI	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Net equity
Balance at 1 January 2019 (Audited)	37,058,823	733,589	1,271,981	(11,045,965)	(68,019)	27,950,409	1,898,662	29,849,071
Profit / (loss) for the period	-	-	401,805	-	-	401,805	(535)	401,270
Other comprehensive income	-	-	-	2,344,039	51,640	2,395,679	2,623	2,398,302
Total comprehensive income	-	-	401,805	2,344,039	51,640	2,797,484	2,088	2,799,572
Change in non-controlling interests	-	-	-	-	-	-	(1,285)	(1,285)
Transactions with owners in their capacity as owners:								
Dividends declared	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 September 2019 (Unaudited)	37,058,823	733,589	1,017,845	(8,701,926)	(16,379)	30,091,952	1,899,465	31,991,417

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KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Nine-month period ended	
	30-Sep-20	30-Sep-19
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before zakat and income tax	(1,320,920)	525,700
<u>Adjustments for non-cash items:</u>		
Depreciation and amortisation	136,808	129,400
Unrealised loss on investments classified as FVTPL	-	(24,701)
Share of results from equity-accounted investees	562,711	(730,812)
Impairment on equity accounted investee	500,000	-
Other losses / (gains), net	2,724	(81,402)
Impairment on financial assets	4,760	42,844
Financial charges	340,925	453,642
	227,008	314,671
Changes in operating assets and liabilities		
Trade and other receivables	77,526	36,903
Prepayments and other current assets	(107,504)	(134,220)
Due from related parties	(34,516)	(22,197)
Employee benefit obligations	(5,210)	(11,955)
Accounts payable, accrued expenses and other current liabilities	44,966	158,457
Due to related parties	8,120	15,625
Investments at FVTPL	832,772	3,763
Other long-term assets	-	5,528
Other long-term liabilities	12,384	18,339
Cash generated from operations	1,055,546	384,914
Zakat and income tax paid	(57,936)	(465,148)
Net cash generated from / (utilized in) operating activities	997,610	(80,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of equity accounted investee	-	52,891
Additions to equity accounted investee	-	(60,000)
Capital repayment and dividend received from equity accounted investee	-	156,079
Purchase of investments at FVOCI	(3,498,331)	(1,193)
Sale of investments at FVOCI	1,374,927	-
Proceeds from disposal of assets held for sale	30,946	41,326
Property and equipment, net	96,158	(101,589)
Net cash (utilized in) / generated from investing activities	(1,996,300)	87,514
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	7,581,757	3,927,514
Repayments of borrowings	(4,732,593)	(3,078,228)
Dividends paid	(491,864)	(491,955)
Finance charges paid	(340,925)	(453,642)
Net cash generated from / (utilized in) financing activities	2,016,375	(96,311)
Net change in cash and bank balances	1,017,685	(89,031)
Cash and bank balances at the beginning of the period	1,637,560	953,429
CASH AND BANK BALANCES AT THE END OF THE PERIOD	2,655,245	864,398

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month and nine-month periods ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 CORPORATE INFORMATION

Kingdom Holding Company (the "Company" or "KHC") is a Saudi Joint Stock Company ("JSC") operating in the Kingdom of Saudi Arabia. The Company was previously formed as a limited liability company and operated under commercial registration number 1010142022 dated 11 Muharram 1417H (corresponding to 28 May 1996). The Ministry of Commerce and investment approved, pursuant to resolution number 128/S dated 18 Jumad Awwal 1428H (corresponding to 4 June 2007), the conversion of the Company into a joint stock company.

The Company and its subsidiaries (the "Group") carry out activities through the entities as listed in Note 1.5 to the annual audited consolidated financial statements for the year ended 31 December 2019. The principal activities of the Group are hotel management and operations, commercial services, education, investments, real estate investments and medical services.

The Company's head office is located in Riyadh at the following address:
Kingdom Holding Company
66th Floor, Kingdom Centre
P.O. Box 1, Riyadh 11321
Kingdom of Saudi Arabia

Impact of COVID-19

The existence of COVID-19 was confirmed in early 2020 and spread starting from mainland China to most parts of the world. Across the world, governments have taken different protective measures causing disruptions to businesses and economic activity, ranging from partial to complete lockdown of countries. During the reporting period, the impact of the pandemic has evolved rapidly and to contain the virus, the governments and other authorities across the world, including the geographies where the Group operates, imposed strict measures. These included restrictions on movement, group gatherings, travel bans, border closures, business closures, quarantines, stay-at-home requirements, shelter-in-place orders, density limitations and social distancing measures. The Group's businesses in hospitality and airlines (subsidiaries and equity-accounted investees) have been impacted by the mandated closures to affect social distancing. As a result, the Group experienced reductions in income associated with these businesses. The majority of the Group's business is customers driven and the current situation has impacted the customer confidence and purchasing power. Consequently, the Group is experiencing reduction in income and revenues.

The full impact of COVID-19 remains uncertain and will be determined by factors that continue to evolve, including but not limited to the success of support measures introduced by governments; the volume and velocity of the tourism trade; customer behavior and sentiment; the ability of the wider economy to recover; and the timing and manner of the easing of restrictions (such as lockdowns and social distancing). The results for the nine-month period ended and the business outlook for the full year ending 31 December 2020 are significantly impacted by associated risks and uncertainties.

Management has taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations.

As at the date of approval of these condensed consolidated interim financial statements, even though most of the territories have eased the lockdowns, the extent of impact on the businesses and economies in general, remains uncertain and is dependent on the future developments that cannot be reasonably estimated.

Critical judgements and estimates

The Group has considered the potential impact of the Covid-19 pandemic on its significant accounting judgements and estimates. Also see Note 3.

Liquidity and financial position

The Group has a strong assets and equity base and is closely monitoring its liquidity projections. The Group has successfully obtained waivers for compliance with certain covenants requirements and is confident that further waivers can be obtained going forward, if required. Historically, the Group has been successful in renegotiating its debt facilities. Further, based on undrawn amounts of the other borrowing facilities of approximately Saudi Riyals 464 million as at 30 September 2020, a review of the existing liquid unpledged investments portfolio and an analysis of cash flow projections over the next twelve months, management is confident that the Group will be able to meet its obligations as and when they fall due.

KINGDOM HOLDING COMPANY
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(All amounts in Saudi Riyals thousands unless otherwise stated)

1 CORPORATE INFORMATION (continued)

The Group is confident that it has robust policies, operational expertise and financial resources to enable it to meet the challenges in the current environment. Management will continue to monitor the current situation and the resulting economic conditions and take all necessary measures to safeguard the Group and its staff.

There are no changes to the Group structure as reported in Note 1 to the annual audited consolidated financial statements of the Group for the year ended 31 December 2019.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on 25 Rabi Al-Awwal 1442H, corresponding to 11 November 2020.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These condensed consolidated interim financial statements should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2019 and do not include all of the information required for a complete set of financial statements under IFRS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements.

The interim results may not be an indicator of the annual results of the Group.

2.2 Historical cost convention

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial assets that are measured at fair value. Further, the employee termination benefits are calculated using the Projected Unit Credit Method (PUCM) and actuarial assumptions.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals, which is the Company's functional and Group's presentation currency.

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

The key sources of estimation uncertainty and critical judgements remain consistent with those disclosed in Note 3 to the annual consolidated financial statements of the Group for the year ended 31 December 2019. However, the Group has assessed the impact of COVID-19 on its businesses and how it is reflected in its consolidated financial position and performance, which involved significant judgements, estimates and assumptions.

Equity-accounted investees

Note 12 to the annual consolidated financial statements for the year ended 31 December 2019 discloses the estimates made to assess the recoverable value of the investments in Accor and NAS. The Group has reassessed the carrying values of these two investments at 30 September 2020 as follows:

Accor

During the nine-month period ended 30 September 2020, Accor's operations were heavily impacted with approximately 60% of Accor branded hotels temporarily closed in April and May 2020. The subsequent months showed signs of business improvement, especially in China, while some hotels started to re-open across the world, mainly in Asia and in Europe. This has resulted in a significant share of loss for KHC (see Note 8).

As a result of the pandemic and considering the impact on Accor's business, the current listed share price, limited target analysts' reports being available, and limited forecasted information being available, the Group, during the six-month period ended 30 June 2020, performed an impairment assessment based on a discounted cash flow model using weighted probabilities based scenarios analysis. This resulted in an impairment loss amounting to Saudi Riyals 500 million during the six-month period ended 30 June 2020. The significant assumptions used, which were based on management's best estimate given the current uncertainties, are as follows:

- 2020 projections have been revised downwards based on Accor's six-month results.
- For the period 2021 onwards, operations are expected to grow at different rates under various scenarios considering past performance and the Group's expectations of the future.
- Pre-tax discount rate of 7.25% and terminal capitalization rate of 5.5%.

Probabilities were then assigned based on the Group's expectations.

Sensitivity analysis:

The analysis below considers a change in one assumption while keeping all the other variables constant.

- If the discount rate increased to 7.5%, the impairment amount would increase by Saudi Riyals 37 million.
- If the terminal capitalization rate increased to 5.75%, the impairment amount would increase by Saudi Riyals 121 million.
- If the revenue targets for the period from 2022 onwards are missed by 5% each year under various scenarios, the impairment amount would increase by Saudi Riyals 41 million.

If the free cash flows target for the period from 2022 onwards are missed by 5% each year under various scenarios, the impairment amount would increase by Saudi Riyals 160 million. These assumptions were re-assessed for the three-month and nine-month periods ended 30 September 2020 and did not result in any further impairment required during the period ended 30 September 2020.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

NAS

Considering the impact of the restrictions resulting from COVID-19, the airline industry has been impacted significantly. Saudi Arabia was under strict lock-down for a significant part of March 2020 and entire months of April and May 2020. As a result, airlines' revenues have been impacted significantly. During June 2020, the Saudi authorities permitted domestic travel to be resumed. Saudi Arabia has partially lifted its suspension of international flights as of 15 September 2020 to allow "exceptional categories" of citizens and residents to travel and, as per the announcement, the Kingdom will lift all travel restrictions for citizens on 1 January 2021. Considering the uncertainties inherent during these times, management has revisited the impairment assessment performed at the year end and 30 June 2020, assessed the recoverable amount by adjusting assumptions of revenue growth rate, EBITDA margins, discount rate and terminal growth rate.

The significant assumptions used, which are based on management's best estimate given the current uncertainties, are as follows:

- 2020 projections have been revised downwards based on NAS's half year results.
- For the period 2021 onwards, operations are expected to grow at different rates considering the Group's expectations of the future.
- Pre-tax discount rate of 10.9% (2019: 10.9%) and terminal growth rate of 1% (2019:1%).

Sensitivity analysis:

As at 30 September 2020, the recoverable amount will be equal to the carrying amount, if the pre-tax discount rate is increased to 13.3%, keeping all the other variables constant.

Goodwill and intangible assets

Note 15 to the annual consolidated financial statements for the year ended 31 December 2019 discloses the estimates made for impairment reviews of goodwill and brand.

Goodwill - George V, France

As at the date of approval of these condensed consolidated financial statements, the hotel is currently closed and is not expected to open before December 2020. As disclosed in Note 15 to the annual consolidated financial statements, the recoverable value is not sensitive to a reasonable possible shift in the assumptions and considering the headroom between the recoverable value and carrying value at the year end, the Group is comfortable that no revised impairment assessment is required as at 30 September 2020.

Brand - Savoy Hotels Limited, United Kingdom

Management has revised the discounted cash flow assessment by using a discount rate of 6.5% (2019: 6.5%) and reduced revenues over the estimation period including no revenue for the remainder of 2020 and first three months of 2021. Furthermore, the terminal growth rate has been revised to 2% compared to 3% at the year end. This has not resulted in an impairment; the recoverable value will equal the carrying value, if the discount rate is increased to 8.35%. The Group will continue to monitor the situation going forward.

Other non-financial assets not tested for impairment at year end

The Group has reviewed the remaining non-financial assets within property and equipment and investment properties within Saudi Arabia (relating to healthcare, education, hotel and properties where the Group acts as a lessor) and investments in equity-accounted investees (Banque Saudi Fransi and Four Seasons Holding). Given the lockdown was lifted in Saudi Arabia at the end of May 2020 and the performance of these entities has improved since then, management believes no formal impairment assessment is required as at 30 September 2020. Banque Saudi Fransi continues to remain profitable during the period ended 30 September 2020, has a strong capital base which is reflected in the high Capital Adequacy Ratio coupled with the measures taken by the Saudi government to ease the potential liquidity pressures in the economy, management strongly believes there are no impairment indicators.

KINGDOM HOLDING COMPANY
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(All amounts in Saudi Riyals thousands unless otherwise stated)

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Four Seasons Holding Inc ("FSH")

Given the impact on the hospitality industry, the Group has performed an impairment assessment to assess the recoverable value of this investment. The recoverable value has been determined based on fair value less costs of disposal, using discounted cash flow analysis. The cash flow projections are for a period of 5 years. The following table sets out the key assumptions made in performing the impairment review:

Assumption	Approach used to determine values	%
Pre-tax discount rate	The rates are consistent with forecasts included in industry reports.	8.0
Terminal capitalization rate	Reflects specific risks relating to the hospitality business and countries in which they operate.	6.5

Revenue growth rate - CAGR - The key factors, that the hotel will continue its status as premier hotel chain, occupancy rate and average rate per rooms, are based on management's assumption of achieving a stabilized level of performance considering the political and economic environment of the countries in which the hotels operate.

Average EBITDA margin - Based on past performance and management's expectations for the future.

Sensitivity analysis:

The analysis below considers a change in one assumption while keeping all the other variables constant. As at 30 September 2020, the recoverable value of FSH would equal its carrying value if the key assumptions were to change, keeping other variables constant, as follows:

Assumption	From	To
	%	%
Pre-tax discount rate	8.0	8.3
Terminal capitalization rate	6.5	6.6

- If the revenue growth rate - CAGR targets for the period from 2021 onwards are missed by 6%.
- If average EBITDA margin targets for the period from 2021 onwards are missed by 3%.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's last annual audited consolidated financial statements as at and for the year ended 31 December 2019.

New IFRS standards, amendments to standards and interpretations not yet adopted

There are no new standards issued, however, there are number of amendments to existing standards which are effective from 1 January 2020 and have been explained in the Group's annual consolidated financial statements, but they do not have a material effect on these condensed consolidated interim financial statements.

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5 SEGMENT INFORMATION

The Group is a diversified organization and derives its revenues and profits from a variety of sources. The investment committee, comprising senior management and the Chief Executive Officer, organize and manage its operations by business segments and have identified the following segments separately for the purposes of monitoring, decision making and performance assessment.

Description of segments and principal activities

The Group's primary operations are organized into the following segments:

Equity investments	International - The principal activity includes investments in international quoted securities.
	Domestic and regional - The principal activity includes investments in securities quoted on the Saudi and regional stock exchanges.
	Private equity - The principal activity includes investments in private equities, managed funds and other entities existing within the structure of the Group.
Hotels	The principal activity of this segment includes investments in subsidiaries that are in the business of managing and owning hotel properties and related activities.
Real estate	The principal activity includes investments in activities relating to ownership and development of land and real estate projects.
Healthcare	The principal activity includes hospital, pharmacy and consulting clinics.
All other segments	The principal activities include operations of Kingdom School and other trading activities carried out by the Group.

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5 SEGMENT INFORMATION (continued)

2020 (Unaudited)	Equity investments	Hotels	Real estate	Health care	All other segments	Total
Total revenue:						
For the three-month period ended						
30 September 2020	116,708	9,989	56,434	89,599	27,639	300,369
For the nine-month period ended						
30 September 2020	268,970	162,656	209,170	210,525	61,471	912,792
Net (loss) / profit:						
For the three-month period ended						
30 September 2020	(108,674)	(77,637)	(39,909)	5,165	4,517	(216,538)
For the nine-month period ended						
30 September 2020	(1,231,707)	(180,550)	(18,567)	9,260	12,109	(1,409,455)
Total assets as at 30 September	33,744,084	6,151,437	6,537,084	463,949	227,112	47,123,666
Total liabilities as at 30 September	13,393,743	3,493,047	928,078	147,206	52,655	18,014,729
Timing of revenue recognition						
At point in time	N/A	Yes	N/A	Yes	N/A	
Over a period of time	N/A	N/A	Yes	N/A	Yes	

Management believes that the inter-segment revenues for the Group are insignificant and therefore have not been disclosed.

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5 SEGMENT INFORMATION (continued)

2019	Equity investments	Hotels	Real estate	Health care	All other segments	Total
Total revenue:						
For the three-month period ended 30 September 2019 (Unaudited)	(384,773)	255,131	85,936	67,072	24,218	47,584
For the nine-month period ended 30 September 2019 (Unaudited)	183,183	665,825	309,829	215,060	66,348	1,440,245
Net profit / (loss):						
For the three-month period ended 30 September 2019 (Unaudited)	38,964	21,997	10,864	4,428	5,643	81,896
For the nine-month period ended 30 September 2019 (Unaudited)	363,539	(46,383)	55,749	17,638	10,727	401,270
Total assets as of 31 December 2019 (Audited)	34,660,928	6,408,997	6,603,375	444,788	252,355	48,370,443
Total liabilities as of 31 December 2019 (Audited)	10,467,443	3,420,048	904,015	154,135	81,573	15,027,214
Timing of revenue recognition						
At point in time	N/A	Yes	N/A	Yes	N/A	
Over a period of time	N/A	N/A	Yes	N/A	Yes	

Management believes that the inter-segment revenues for the Group are insignificant and therefore have not been disclosed.

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6 FAIR VALUE

Note 32 to the annual audited consolidated financial statements as at and for the year ended 31 December 2019 explains the fair value hierarchy, valuation techniques and the valuation process.

The following table presents the Group's financial assets measured and recognized at fair value on a recurring basis including their levels in the fair value hierarchy at 30 September:

Financial assets			
As at 30 September 2020 (unaudited)	Level 1	Level 2	Total
<i>Investments at FVTPL:</i>			
- Europe (Non-Current)	-	213,525	213,525
- United States of America (Current)	-	170,756	170,756
	-	384,281	384,281
<i>Investments at FVOCI:</i>			
- United States of America (Note 6.1)	8,780,979	-	8,780,979
- Middle East	562,215	-	562,215
- Europe	1,824,251	-	1,824,251
	11,167,445	-	11,167,445
Total financial assets at fair value	11,167,445	384,281	11,551,726
Financial assets			
As at 31 December 2019 (Audited)	Level 1	Level 2	Total
<i>Investments at FVTPL:</i>			
- Europe (Non-Current)	-	213,525	213,525
- Middle East (Non-Current)	-	1,003,528	1,003,528
	-	1,217,053	1,217,053
<i>Investments at FVOCI:</i>			
- United States of America	10,923,035	-	10,923,035
- Middle East	579,392	-	579,392
	11,502,427	-	11,502,427
Total financial assets at fair value	11,502,427	1,217,053	12,719,480

6.1 During the period ended 30 September 2020, the Group sold an investment for cash. The shares sold had a fair value of Saudi Riyals 1.37 billion, and the Group realised a gain of Saudi Riyals 1.23 billion which had already been included in OCI and was transferred to retained earnings during the period ended 30 September 2020.

7 (LOSS) / GAIN ON INVESTMENTS AT FVTPL

	Three-month period ended		Nine-month period ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Unaudited	Unaudited	Unaudited	Unaudited
Realized gain on sale of investments classified as FVTPL	-	-	37,696	134
Unrealized (loss) / gain on investments classified as FVTPL	-	(442,058)	-	24,701
	-	(442,058)	37,696	24,835

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8 EQUITY-ACCOUNTED INVESTEEES

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
At beginning of the period / year	19,562,668	19,109,381
Additions during the period / year	-	94,231
Capital repayment and dividends from associates	-	(495,578)
Disposals during the period / year	-	(52,891)
Share of (loss) / income	(562,711)	790,754
Share in other comprehensive (loss) / income	(47,717)	192,852
Impairment loss recognized during the period (Note 11)	(500,000)	-
Unrealized exchange gain / (loss) on translation	161,351	(76,081)
At end of the period / year	18,613,591	19,562,668

The significant movements during 2019 have been explained in Note 12 to the annual consolidated financial statements for the year ended 31 December 2019. Also see Note 3 for discussion on the impact of COVID-19 on the recoverable values of the equity-accounted investees.

9 BORROWINGS

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
Kingdom Holding Company	9,212,041	5,762,653
Kingdom 5-KR-11 Limited	3,375,000	4,125,000
Kingdom 5-KR-35 Group	1,538,178	1,464,051
Kingdom KR-114 Limited	1,322,004	1,318,019
Trade Centre Company Limited (TCCL)	612,405	614,707
Others	60,849	98,883
	16,120,477	13,383,313

The above outstanding balance is presented in the condensed consolidated interim statement of financial position as follows:

	30-Sep-20 (Unaudited)	31-Dec-19 (Audited)
<u>Current</u>		
Current portion of term loans	875,499	1,986,094
Term loans, including long term revolving facilities	15,244,978	11,397,219
	16,120,477	13,383,313

During the nine-month period ended 30 September 2020, the Group has made further drawdowns on its existing borrowing facilities. Also see Note 1 for detail on waivers obtained from the lenders during the period.

Included in the total borrowings are borrowings from a related party amounting to Saudi Riyals 318 million (2019: Saudi Riyals 324 million).

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10 CONTINGENCIES AND COMMITMENTS

The Group is a defendant in various legal claims arising in the normal course of business. Based on the information presently available, there are no significant claims, other than those already provided, against the Group requiring a provision. Management believes that the provisions maintained for such claims are adequate.

Any additional liabilities, including any potential zakat assessments, that may result in connection with other claims are not expected to have a material effect on the Group's financial position or results of operations.

There have been no significant changes in contingencies, capital and operating lease commitments during the nine-month period ended 30 September 2020.

11 OTHER LOSSES / GAINS, NET

Other losses, net for the nine-month period ended 30 September 2020 mainly comprise an impairment loss recorded on an investment in an equity-accounted investee amounting to Saudi Riyals 500 million (Note 8). Also see Note 3.

12 RELATED PARTY TRANSACTIONS

The Group enters into various other transactions with related parties at mutually agreed terms. Other than those mentioned specifically in these condensed consolidated interim financial statements, the transactions for the nine-month period ended 30 September 2020, individually or in aggregate, are not material to the condensed consolidated interim financial statements.

13 SHARE CAPITAL

The share capital as at 30 September 2020 and 31 December 2019 consists of 3,706 million authorized and issued shares at a par value of Saudi Riyals 10 each.

14 DIVIDENDS DECLARATION

The General Assembly of the Company, in its annual meeting held on 9 Dhul-Qa'dah 1441H (corresponding to 30 June 2020), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million, as recommended by the Company's Board of Directors. The cash distributions have to be made to all shareholders on record as of the dates approved in the General Assembly meeting. The first and second dividend distribution was made to all shareholders on record as of the date approved in the General Assembly meeting.

15 EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the three and nine-month periods ended 30 September 2020 and 2019 have been computed by dividing the profit / (loss) for each of the period presented by the number of shares outstanding during such period (3,706 million shares).