



KINGDOM HOLDING COMPANY

(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial
Statements

For the three-month and nine-month periods ended
30 September 2018
(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 2018

INDEX	PAGE
Report on review of condensed consolidated interim financial statements	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of profit or loss	4
Condensed consolidated interim statement of comprehensive income	5
Condensed consolidated interim statement of changes in equity	6 - 7
Condensed consolidated interim statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9 - 19



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 2018 and the related condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2018 and the condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended 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

A handwritten signature in blue ink, appearing to read 'Omar M. Al Sagga', is written over a faint, stylized PwC logo.

Omar M. Al Sagga
License Number 369

November 1, 2018

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30-Sep-18 (Unaudited)	31-Dec-17 Audited
ASSETS			
Current assets			
Cash and bank balances		1,013,252	1,293,432
Investments at fair value through profit or loss ("FVTPL")	7	30,418	22,650
Trade and other receivables		294,774	454,100
Prepayments and other current assets		304,900	312,114
Due from related parties		269,731	102,036
Assets held for sale	11	174,813	477,210
Total current assets		2,087,888	2,661,542
Non-current assets			
Investments at fair value through profit or loss ("FVTPL")	7	2,267,337	907,517
Investments at fair value through other comprehensive income ("FVOCI")	7	10,479,391	11,211,596
Equity-accounted investees	9	19,294,116	19,230,889
Investment properties		4,129,949	4,219,808
Property, plant and equipment	10,11	7,291,053	7,964,079
Goodwill and intangible assets	10	2,051,112	2,394,212
Deferred tax assets		9,453	37,992
Other long term assets		106,245	138,565
Total non-current assets		45,628,656	46,104,658
Total assets		47,716,544	48,766,200
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Borrowings	12	3,268,601	409,858
Accounts payable, accrued expenses and other current liabilities		501,415	443,849
Zakat and income tax payable		446,917	457,154
Due to related parties		45,211	135,493
Dividends payable	17	163,985	-
Total current liabilities		4,426,129	1,446,354
Non-current liabilities			
Borrowings	12	10,160,030	13,213,247
Deferred tax liabilities		204,160	193,729
Employee benefit obligations		151,922	177,059
Other long term liabilities		40,890	61,448
Total non-current liabilities		10,557,002	13,645,483
Total liabilities		14,983,131	15,091,837
Net assets		32,733,413	33,674,363
EQUITY			
Share capital	15	37,058,823	37,058,823
Statutory reserve		665,426	665,426
Retained earnings		1,292,379	1,314,057
Fair value reserve for investments at fair value through other comprehensive income ("FVOCI")		(8,486,363)	(7,778,557)
Other reserves	16	284,736	263,116
Equity attributable to shareholders of the Company		30,815,001	31,522,865
Non-controlling interests		1,918,412	2,151,498
Net equity		32,733,413	33,674,363

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

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)

		Three-month periods ended		Nine-month periods ended	
	Notes	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
Revenues					
Hotels and other operating revenues		433,243	512,412	1,396,180	1,345,485
Dividend income		50,651	36,803	122,637	74,281
(Loss)/ gain on investments	8	(2,288)	1,162	307,769	332,703
Total revenues		481,606	550,377	1,826,586	1,752,469
 Hotels and other operating costs		 (280,804)	 (374,468)	 (998,343)	 (1,017,623)
 Gross profit		 200,802	 175,909	 828,243	 734,846
 General, administrative and marketing expenses		 (107,218)	 (245,385)	 (365,266)	 (410,003)
Share of results from equity-accounted investees	9	269,409	125,381	1,167,184	165,932
Other gains/ (losses), net	10	60,111	460,936	(315,461)	653,588
 Income from operations		 423,104	 516,841	 1,314,700	 1,144,363
 Financial charges, net		 (136,391)	 (112,936)	 (371,447)	 (314,916)
 Profit before zakat and income tax		 286,713	 403,905	 943,253	 829,447
 Zakat and income tax		 (30,669)	 (207,480)	 (299,768)	 (282,382)
 Profit for the period		 256,044	 196,425	 643,485	 547,065
 Profit for the period attributable to:					
- Owners of the Company		248,551	247,544	634,263	592,935
- Non-controlling interests		7,493	(51,119)	9,222	(45,870)
		256,044	196,425	643,485	547,065
 Basic and diluted earnings per share (Saudi Riyals)	18	 0.07	 0.07	 0.17	 0.15

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

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 periods ended		Nine-month periods ended	
		30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
Profit for the period		256,044	196,425	643,485	547,065
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss</i>					
Net changes in fair value of FVOCI equity investments		(327,513)	656,870	(707,806)	2,005,703
<i>Items that may be reclassified subsequently to profit or loss</i>					
Share in other comprehensive income/ (loss) of equity-accounted investees	9	9,141	(799)	54,161	(12,964)
Exchange differences on translation of foreign operations		(117,291)	221,566	(22,829)	609,425
Total comprehensive income / (loss) for the period		(179,619)	1,074,062	(32,989)	3,149,229
Total comprehensive income for the / (loss) period attributable to:					
- Owners of the Company		(191,081)	1,116,052	(51,923)	3,185,455
- Non-controlling interests		11,462	(41,990)	18,934	(36,226)
		(179,619)	1,074,062	(32,989)	3,149,229

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2018
(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	Total equity
Balance at 1 January 2018 (Audited)	37,058,823	665,426	1,314,057	(7,778,557)	263,116	31,522,865	2,151,498	33,674,363
Profit for the period	-	-	634,263	-	-	634,263	9,222	643,485
Net change in fair value of investment at FVOCI	-	-	-	(707,806)	-	(707,806)	-	(707,806)
Share in other comprehensive income of equity-accounted investees	-	-	-	-	54,161	54,161	-	54,161
Exchange differences on translation of foreign operations	-	-	-	-	(32,541)	(32,541)	9,712	(22,829)
Total	-	-	634,263	(707,806)	21,620	(51,923)	18,934	(32,989)
Change in non-controlling interests	-	-	-	-	-	-	(252,020)	(252,020)
Transactions with owners in their capacity as owners:								
Dividends declared (Note 17)	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 September 2018 (Unaudited)	37,058,823	665,426	1,292,379	(8,486,363)	284,736	30,815,001	1,918,412	32,733,413

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the nine-month period ended 30 September 2017

(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	Total equity
Balance at 1 January 2017 (Audited)	37,058,823	599,069	1,270,814	(10,177,824)	(517,729)	28,233,153	1,090,889	29,324,042
Profit for the period	-	-	592,935	-	-	592,935	(45,870)	547,065
Net change in fair value of investment at FVOCI	-	-	-	2,005,703	-	2,005,703	-	2,005,703
Unrealized loss on investment at FVOCI transferred to retained earnings on disposal	-	-	(7,589)	7,589	-	-	-	-
Share in other comprehensive loss of equity-accounted investees	-	-	-	-	(12,964)	(12,964)	-	(12,964)
Exchange differences on translation of foreign operations	-	-	-	-	599,781	599,781	9,644	609,425
Total	-	-	585,346	2,013,292	586,817	3,185,455	(36,226)	3,149,229
Change in non-controlling interests	-	-	-	-	-	-	1,198,683	1,198,683
Transaction with owners in their capacity as owners:								
Dividends declared	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 September 2017 (Unaudited)	37,058,823	599,069	1,200,219	(8,164,532)	69,088	30,762,667	2,253,346	33,016,013

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Nine-month periods ended	
		30-Sep-18	30-Sep-17
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax		943,253	829,447
<u>Adjustments for non-cash items:</u>			
Depreciation and amortisation		151,224	196,995
Amortization of transaction costs		10,626	10,525
Gain on sale of investments classified as FVTPL		-	(240,760)
Unrealised gain on investments classified as FVTPL	8	(307,769)	(91,943)
Share of results from equity-accounted investees		(1,167,184)	(165,932)
Other gains / (losses), net		315,461	(653,588)
Other revenues		-	(132,358)
Dividend income		(122,637)	(74,281)
Financial charges, net		371,447	314,916
		<u>194,421</u>	<u>(6,979)</u>
Changes in operating assets and liabilities			
Trade and other receivables		159,326	291,731
Prepayments and other current assets		7,214	-
Due from related parties		(197,695)	824
Employee benefit obligations		(25,137)	42,922
Accounts payable, accrued expenses and other current liabilities		166,566	68,793
Due to related parties		(90,282)	(135,281)
Investments at FVTPL		(1,059,819)	591,347
Other long term assets		32,320	26,835
Other long term liabilities		(20,558)	31,276
Cash (utilized in) / generated from operating activities		<u>(1,028,065)</u>	<u>918,447</u>
Zakat and income tax paid		<u>(271,035)</u>	<u>(59,477)</u>
Net cash (utilized in) / generated from operating activities		<u>(1,104,679)</u>	<u>851,991</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of equity accounted investee		774,251	56,852
Acquisition of equity accounted investees		-	(5,797,902)
Dividend received from equity accounted investee		321,137	112,255
Acquisition of subsidiary, net of cash acquired		-	202,750
Proceeds from sale of investments at FVOCI		57,428	103,212
Dividends received		122,637	74,281
Proceeds from disposal of assets held for sale		422,275	-
Property, plant and equipment, net		379,742	(101,671)
Net cash generated from / (utilized in) investing activities		<u>2,077,470</u>	<u>(5,350,223)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		376,015	3,712,934
Repayments of borrowings		(894,722)	(1,863,670)
Transactions with non-controlling interests		(242,308)	1,701
Dividends paid		(491,956)	(491,956)
Net cash (utilized in) / generated from financing activities		<u>(1,252,971)</u>	<u>1,359,009</u>
Net change in cash and bank balances		<u>(280,180)</u>	<u>(3,139,223)</u>
Cash and bank balances at the beginning of the period		<u>1,293,432</u>	<u>4,337,052</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD		<u>1,013,252</u>	<u>1,197,829</u>
Non-cash transactions:			
Movement in investments at FVOCI		(707,806)	2,005,703
Net assets transferred on the acquisition of a subsidiary		-	3,396,599

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

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 2018
(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 Muharram 11, 1417H (corresponding to 28 May 1996). The Ministry of Commerce and Investment approved, pursuant to resolution number 128/S dated Jumad Al Awwal 18, 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 its activities through the entities listed below. The principal activities of the Group are hotel management and operation, commercial services, education, investments and medical services.

The shares of the Company commenced trading on the Saudi Stock Exchange on 28 July 2007 after approval by the Capital Market Authority.

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

At 30 September 2018, the Group had net current liabilities amounting to Saudi Riyals 2.3 billion (31 December 2017: net current assets amounting Saudi Riyals 1.2 billion). This is mainly due to two borrowings facilities amounting to Saudi Riyals 2.8 billion maturing before 30 September 2019. The Group is in an advanced stage of signing a US Dollars 1 billion (Saudi Riyals 3.75 billion) loan facility. Based on the current status of negotiations of this facility, a review of the existing investments portfolio, potential renegotiation of terms of existing loans facilities 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.

These condensed consolidated interim financial statements (the "consolidated financial statements") were authorized for issue by the Company's Board of Directors on Safar 23, 1440H, corresponding to 1 November 2018.

a) Kingdom 5-KR-11 Limited (KR-11)

KR-11 is a fully owned limited liability company incorporated in the Cayman Islands. The company's principal activity represents investments in international quoted securities, through its wholly owned subsidiaries.

b) Kingdom 5-KR-100 Limited (KR-100)

KR-100 is a fully owned limited liability company incorporated in the Cayman Islands. The company's principal activity represents ownership and management of funds, through its equity-accounted investees.

c) Kingdom 5-KR-132 Limited (KR-132)

KR-132 is a fully owned limited liability company incorporated in the Cayman Islands. The company's principal activity includes holding investments in the following subsidiaries and equity-accounted investees that own and manage properties and hotels:

	Effective Ownership percentage (%)	
	30-Sep-18	30-Sep-17
<u>Subsidiaries</u>		
Kingdom Hotel Investments (KHI) - Cayman Islands	100.0	100.0
Kingdom 5 KR 35 Group (George V) - France (Direct and indirect ownership through KHI)	100.0	100.0
<u>Equity-accounted investees</u>		
Four Seasons Holding Inc. (FSH Inc.) – Canada	47.5	47.5
Accor S.A. – France	5.8	5.8
Mövenpick Hotels and Resorts AG (Mövenpick) - Switzerland	-	33.3

d) Kingdom 5-KR-114 Limited (KR-114)

KR-114 is a fully owned limited liability company incorporated in the Cayman Islands. The company holds 58.83% ownership in Breezeroad Limited, which operates the Savoy Hotel in London.

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 CORPORATE INFORMATION (continued)

e) Local and regional subsidiaries

The Company also has ownership in the following local and regional subsidiaries and equity-accounted investees:

	Ownership percentage (%)	
	30-Sep-2018	30-Sep-2017
<u>Subsidiaries</u>		
Kingdom Schools Company Limited (The School) - Saudi Arabia	47.0	47.0
Fashion Village Trading Company Limited (SAKS) - Saudi Arabia	71.8	71.8
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	74.0	74.0
Consulting Clinic SAL (Clinic) – Lebanon	50.4	50.4
Real Estate Investment Company (REIC) - Saudi Arabia	69.4	69.4
Trade Centre Company Limited (TCCL) - Saudi Arabia	70.6	70.6
Kingdom Real Estate Development Company (KRED) - Saudi Arabia	100.0	100.0
<u>Equity-accounted investees</u>		
National Air Services (NAS) - Saudi Arabia	34.1	34.1
Jeddah Economic Company (JEC) - Saudi Arabia	33.4	33.4
Banque Saudi Fransi (BSF) – Saudi Arabia	16.2	16.2

The principal activities and the various segments of the Group are described in Note 5.

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 issued by 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 2017. These do not include all of the information required for a complete set of IFRS financial statements 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 and liabilities 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.

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 recognised 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group's last annual audited consolidated financial statements as at and for the year ended 31 December 2017.

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 2017. Effective 1 January 2018, the Group has adopted IFRS 15 – Revenue from Contracts with Customers. The adoption of this standard has no significant impact on the Group's condensed consolidated interim financial statements.

Standards issued but not yet effective

The Group has not early adopted the following new standards, amendments or interpretations effective for annual periods on or after 1 January 2019.

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
	IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	1 January 2019
Annual improvements to IFRSs 2015 – 2017 cycle	IAS 12 Income Taxes	1 January 2019
Uncertainty over Income Tax Treatments	IAS 23 Borrowing Costs	1 January 2019
	IFRIC 23	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

The Group does not expect any significant impact on its consolidated financial position or results of its operations as a result of these new standards or amendments.

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 SEGMENT INFORMATION

The Group is a diversified group and derives its revenues and profits from a variety of sources. The investment committee, comprising senior management and the Chief Executive Officer, organises and manages 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 organised 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 Stock Exchange, the regional Stock Exchanges and investments in associates other than real estate.
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 and associates 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.
Health Care	The principal activity includes hospitals, pharmacies and consulting clinics.
All other segments	The principal activities include operations of Kingdom School and other trading activities carried by the Group.

	Equity investments	Hotels	Real estate	Health care	All other segments	Total
2018 (unaudited)						
Total revenue						
For the three-month period ended 30 September	48,363	239,320	98,144	71,449	24,330	481,606
For the nine-month period ended 30 September	430,406	773,912	330,386	219,536	72,346	1,826,586
Net profit / (loss)						
For the three-month period ended 30 September	309,456	(70,208)	8,495	5,227	1,741	254,711
For the nine-month period ended 30 September	802,943	(221,995)	52,140	12,277	(3,213)	642,152
Total assets as at 30 September	22,409,848	15,473,182	9,273,513	466,174	93,827	47,716,544
Total liabilities as at 30 September	9,654,045	4,378,126	813,221	106,084	31,655	14,983,131
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	N/A	N/A	Yes	-

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 SEGMENT INFORMATION (continued)

	Equity investments	Hotels	Real estate	Health care	All other segments	Total
2017						
Total revenue						
For the three-month period ended 30 September (Unaudited)	37,965	326,626	88,720	74,925	22,141	550,377
For the nine-month period ended 30 September (Unaudited)	406,984	930,194	105,032	238,490	71,769	1,752,469
Net profit / (loss)						
For the three-month period ended 30 September (Unaudited)	261,727	38,587	(81,457)	(783)	(21,649)	196,425
For the nine-month period ended 30 September (Unaudited)	535,037	79,184	(69,465)	5,399	(3,090)	547,065
Total assets as at 31 December (Audited)	22,411,047	16,587,436	9,063,841	451,247	252,629	48,766,200
Total liabilities as at 31 December (Audited)	9,793,919	4,271,706	738,639	181,068	106,505	15,091,837
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	N/A	N/A	Yes	-

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

6 BUSINESS COMBINATION ACHIEVED IN STAGES

During the nine-month period ended 30 September 2017, the Group increased its ownership in REIC from 38.9% to 69.4% and in TCCL from 36% to 70.62%, respectively, therefore resulting in both entities being accounted for as subsidiaries, effective from 1 June 2017 and 14 August 2017, respectively. The fair values of identifiable assets and liabilities, identified on a provisional basis, on the date of acquisition were as follows:

	30-Sep-2017
Assets acquired:	
Current assets	347,259
Non-current assets	3,883,829
	<u>4,231,088</u>
Liabilities assumed:	
Current liabilities	(297,322)
Non-current liabilities	(537,167)
Fair value of net assets acquired	<u>3,396,599</u>
Total acquisition cost	(1,651,994)
Non-controlling interest	(1,011,064)
Gain on bargain purchase	<u>733,541</u>
Total acquisition cost:	
Total consideration	397,976
Fair value of previously held equity interest	1,254,018
Total acquisition cost	<u>1,651,994</u>
Cash flow on acquisition:	
Net cash acquired with subsidiary	117,570
Cash paid in current year	-
Net cash flow on acquisition	<u>117,570</u>

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 BUSINESS COMBINATION ACHIEVED IN STAGES (continued)

REIC contributed revenue of Saudi Riyals 32.04 million and profit of Saudi Riyals 16.3 million to the Group from the date of acquisition. If the acquisition had taken place on 1 January 2017, the revenue and profit contribution would be higher by Saudi Riyals 16.1 million and Saudi Riyals 8 million, respectively.

TCCL contributed revenue of Saudi Riyals 72.9 million and profit of Saudi Riyals 4 million to the Group from the date of acquisition. If the acquisition had taken place on 1 January 2017, the revenue and profit contribution would be higher by Saudi Riyals 197.6 million and Saudi Riyals 38.3 million, respectively.

During the period ended 30 September 2018, the Group has determined that the resulting intangible assets are not significant for separate recognition and also no further adjustments are required to be made on the provisional amounts previously recognized.

7 FAIR VALUE

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. The Group's financial instruments are measured under the historical cost convention, except for investments carried at FVOCI and FVTPL which are carried at fair values. These investments are all in equity securities.

The Group estimates the fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, estimates of fair values are not necessarily an indication of what the Group could realise in a current market exchange. The use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

(i) Fair value hierarchy

Level 1: The fair value of financial instruments traded in active markets (such as FVTPL and FVOCI securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are classified as level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, then the instrument is classified as level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is classified as level 3.

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 FAIR VALUE (continued)

The following table presents the Group's financial assets measured and recognised at fair value on a recurring basis including their levels in the fair value hierarchy at 30 September 2018 on a recurring basis:

	Level 1	Level 2	Level 3	Total
As at 30 September 2018 (Unaudited)				
Financial assets				
<i>Investments at FVTPL:</i>				
- United States of America (current)	30,418	-	-	30,418
- United States of America (non-current)	-	1,720,918	-	1,720,918
- France (non-current)	-	213,525	-	213,525
- Middle East (non-current)	-	332,894	-	332,894
	-	2,267,337	-	2,267,337
	30,418	2,267,337	-	2,297,755
<i>Investments at FVOCI (non-current):</i>				
- United States of America	9,594,964	-	45,060	9,640,024
- Middle East	839,367	-	-	839,367
	10,434,331	-	45,060	10,479,391
Total financial assets at fair value	10,464,749	2,267,337	45,060	12,777,146
As at 31 December 2017 (Audited)				
Financial assets				
<i>Investments at FVTPL:</i>				
- United States of America (current)	22,650	-	-	22,650
- United States of America (non-current)	-	574,623	-	574,623
- Middle East (non-current)	-	332,894	-	332,894
	-	907,517	-	907,517
	22,650	907,517	-	930,167
<i>Investments at FVOCI (non-current):</i>				
- United States of America	10,393,386	75,037	45,060	10,513,483
- Middle East	698,113	-	-	698,113
	11,091,499	75,037	45,060	11,211,596
Total financial assets at fair value	11,114,149	982,554	45,060	12,141,763

Also see Note 11 and Note 14.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include, the use of quoted market prices or dealer quotes for similar instruments, observable market inputs and latest transaction price.

(iii) Valuation process

The Group has a team that performs / reviews the valuations for financial reporting purposes, including fair values of financial instruments. This team reports directly to the Chief Investment Officer (CIO). Discussions of valuation processes and results are held between the CIO and the valuation team at least once every six months, in line with the Group's reporting periods.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period.

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 FAIR VALUE (continued)

(iv) Fair value of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the condensed consolidated interim statement of financial position. For the majority of these instruments, management has concluded that the fair values are not materially different from their carrying amounts.

(v) Transfers between levels 2 and 3 and changes in valuation techniques

There have been no transfer of equity securities between levels 2 and 3 during the nine-month period ended 30 September 2018. Also, there were no changes made to any of the valuation techniques applied as at 31 December 2017.

8 GAIN ON INVESTMENTS

	Three-month periods ended		Nine-month periods ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	Unaudited	Unaudited	Unaudited	Unaudited
Realized gain on sale of investments classified as FVTPL	-	4,783	-	240,760
Unrealized gain/(loss) on investments classified as FVTPL	(2,288)	(3,621)	307,769	91,943
	<u>(2,288)</u>	<u>1,162</u>	<u>307,769</u>	<u>332,703</u>

9 EQUITY-ACCOUNTED INVESTEEES

	30-Sep-18	31-Dec-17
	(Unaudited)	(Audited)
At beginning of the period / year	19,230,889	14,123,741
Additions during the period / year	-	5,802,455
Capital repayment and dividends from associates	(321,137)	(115,811)
Disposals during the period / year	(577,883)	(49,193)
Share in income	1,167,184	261,941
Transfer due to business combination	-	(1,042,753)
Transfer to investment at FVOCI	-	(111,349)
Share in other comprehensive income / (loss)	54,161	(47,155)
Impairment loss recognized during the period / year (Note 10)	(200,000)	(37,261)
Unrealized exchange gain on translation	(59,098)	446,595
Other	-	(321)
At end of the period / year	<u>19,294,116</u>	<u>19,230,889</u>

During the three-month period ended 30 September 2018, the Group sold an equity-accounted investee amounting to Saudi Riyals 749.25 million to another equity-accounted investee, resulting in a gain amounting to Saudi Riyals 196.4 million (Note 10).

On 11 September 2017, the Group invested in Banque Saudi Fransi, a listed bank in the Kingdom of Saudi Arabia. As a result of power to represent on the Board of Directors, the Group concluded it exercises significant influence and therefore accounted for this investment as an equity-accounted investment.

During the year ended 31 December 2017, the Group completed the reorganization in two of its equity-accounted investees, REIC and TCCL, as a result of which both these investments were classified as subsidiaries and consolidated from the date the Group obtained control. Also see Note 6.

Also, during the year ended 31 December 2017, the Group sold one of its investment partially and lost significant influence, as a result of which the investment was reclassified to an investment at FVOCI.

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

10 OTHER GAINS / (LOSSES), NET

	Three-month periods ended		Nine-month periods ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	Unaudited	Unaudited	Unaudited	Unaudited
Gain / (loss) on disposal of equity accounted investee (Note 9)	196,368	-	196,368	(2,674)
Gain on sale of property, plant and equipment	-	-	94,607	-
Impairment of property, plant and equipment and related goodwill	(152,125)	(122,189)	(489,092)	(122,189)
Impairment of equity accounted investee (Note 9)	-	-	(200,000)	-
Gain on bargain purchase (Note 6)	-	529,962	-	733,541
Gain on re-measurement of existing equity interest in REIC and TCCL (Note 6)	-	140,424	-	211,855
Others	15,868	(87,261)	82,656	(166,945)
	60,111	460,936	(315,461)	653,588

The Group undertook an exercise to assess the recoverable values of certain investments and impaired property, plant and equipment and related goodwill, assessed using fair value less cost of disposal.

For the impairment in equity-accounted investee, the Group has assessed the recoverable value through value-in-use using a 5 years discounted cash flow analysis applying a discount rate of 11.46% and long-term terminal growth rate of 2%. If the discount rate increased by 0.5%, the impairment loss would increase and profit for the period would decrease by Saudi Riyals 152 million. Also see Note 7.

11 OTHER SIGNIFICANT TRANSACTIONS DURING THE CURRENT REPORTING PERIOD

- During the three-month period ended 30 September 2018, the Group invested Saudi Riyals 213.6 million in Deezer, an unlisted French music streaming company. This investment has been classified as an investment at FVTPL.
- During the three-month period ended 30 September 2018, the Group has decided to dispose a hotel property. Management concluded that the criteria for assets held for sale was met and therefore, this property has been reclassified and presented separately as assets held for sale and the Group has recorded an impairment loss amounting to Saudi Riyals 103.4 million (Note 10). The asset classified as held for sale at 31 December 2017 was disposed during the nine-month period ended 30 September 2018 at a value approximately equal to its carrying value.
- During the three-month period ended 30 September 2018, the Group disposed an investment at FVOCI amounting to Saudi Riyals 75 million resulting in a loss amounting to Saudi Riyals 16.39 million.

12 BORROWINGS

	30-Sep-18	31-Dec-17
	(Unaudited)	(Audited)
Kingdom Holding Company	4,304,157	4,303,123
Kingdom 5-KR-11 Limited	5,250,000	5,057,763
Kingdom KR-114 Limited	1,576,427	1,610,661
Kingdom 5-KR-35 Group	1,506,276	1,551,054
Kingdom Hotel Investments	259,605	433,671
Others	532,166	666,833
	13,428,631	13,623,105

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 BORROWINGS (continued)

The above outstanding balance is presented as follows:

	30-Sep-18 (Unaudited)	31-Dec-17 (Audited)
<u>Current</u>		
Short-term loans	-	2,208
Current portion of term loans	<u>3,268,601</u>	<u>407,650</u>
	3,268,601	409,858
<u>Non-current</u>		
Term loans, including long-term revolving facilities	<u>10,160,030</u>	<u>13,213,247</u>
	13,428,631	13,623,105

Included in the total borrowings are borrowings from a related party amounting to Saudi Riyals 329 million (2017: Saudi Riyals 164 million).

13 CONTINGENCIES AND COMMITMENTS

The Group is a defendant in various legal claims arising in the normal course of business. Provision has been established for certain claims, based on the information presently available. Management believes that the existing amounts provided for such claims are adequate.

The Company has received final assessments from the General Authority of Zakat and Tax ("GAZT") up to year 2010. During 2018, the Company received assessment from the GAZT for the years 2011 and 2012 resulting in additional zakat assessment. Management has contested the matters included in the assessment and filed an appeal providing its detailed arguments against the assessment. Management believes that the eventual outcome will not result in any additional material liability.

There have been no significant change in contingencies, capital and operating lease commitments during the period.

14 RELATED PARTY TRANSACTIONS

The Group entered into the following significant related party transactions during the nine-month period ended 30 September 2018.

- The Group purchased additional 4,766,182 shares of Lyft, an investment at FVTPL, from the majority shareholder His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud for an amount of Saudi Riyals 846.3 million. This transaction was approved by the Board of Directors on 10 September 2018.
- Also see Note 9 for sale of an equity-accounted investee to another equity-accounted investee.

The Company enters into various other transactions with related parties at mutually agreed terms. These transactions, individually or in aggregate, are not material to the condensed consolidated interim financial statements.

15 SHARE CAPITAL

The share capital as at 30 September 2018 and 31 December 2017 consists of 3,706 million authorized and issued shares at a par value of Saudi Riyals 10 each.

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 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

16 OTHER RESERVES

	Share in other comprehensive income of equity- accounted investees	Exchange differences on translation of foreign operations including equity- accounted investees	Re-measurement of employee benefit obligations	Total
At 1 January 2017 (Audited)	(29,291)	(474,495)	(13,943)	(517,729)
Share in other comprehensive loss (Note 9)	(47,155)	-	-	(47,155)
Actuarial losses on re-measurement of employee benefit obligations during the year	1,311	-	2,457	3,768
Unrealised exchange gain for the period on retranslation of foreign operations	-	824,232	-	824,232
At 31 December 2017 (Audited)	(75,135)	349,737	(11,486)	263,116
Share in other comprehensive income (Note 9)	54,161	-	-	54,161
Unrealised exchange (loss) / gain for the period on translation	-	(32,541)	-	(32,541)
At 30 September 2018 (Unaudited)	(20,974)	317,196	(11,486)	284,736

17 DIVIDENDS DECLARATION

The General Assembly of the Company, in its annual meeting held on Ramadan 20, 1439H (corresponding to 4 June 2018), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million for the year 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, second and third dividend distributions were made to all shareholders on record as of the date approved in the General Assembly meeting.

18 EARNINGS PER SHARE

Earnings per share for the nine-month period ended 30 September 2018 and 2017 have been computed by dividing the net income for each of the period presented by the number of shares outstanding during such period amounting to 3,706 million shares.

19 SUBSEQUENT EVENTS

Subsequent to the period end, the Group signed a sales and purchase agreement with respect to the sale of one hotel property. Accordingly, the assets and liabilities relating to this property were reclassified as assets held for sale. Also see Note 11.

Subsequent to the period end, the Group has announced it has increased its investment in Careem, an unlisted investment designated as an investment at FVTPL.