



# Savola News

Issued by the Savola Group Management to enhance communication with its Shareholders, Investors and all Stakeholders through furnishing them with its latest developments and performance progress on quarterly basis.

## H. E. President Mohamed Hosni Mubarak - President of Arab Republic of Egypt

### Visits the Refinery of United Sugar Co. of Egypt, a Subsidiary of Savola Group



## With Majority of Votes,

the AGM of Savola Shareholders Approves all its Agenda



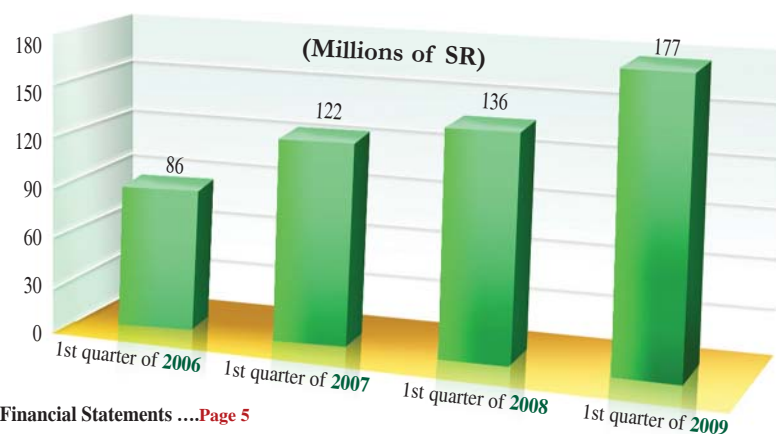
The Chairman and the Board Members of the Savola Group during the AGM

## Savola Distributes SR 125 Million of Dividends to Shareholders for the 1st Quarter of 2009

The Savola Group Board of Directors decided in its meeting on Thursday 09/04/2009 to distribute dividends amounting to SR 125 million for the 1st quarter of 2009 (SR 0.25 per share) to the shareholders registered in the company books by the end of the trading date of Saturday 18th April 2009, which coincides with the date of the Annual General Assembly Meeting of shareholders (AGM). This is in addition to the dividends of SR 125 million (at SR 0.25 per share) approved by the AGM for the 4th quarter of 2008. The total amount of the dividend payment for the two quarters is SR 250 million at SR 0.50 (please see [page 2](#) for more details)

## Savola Increases its Operating Profit by 38%

and Achieves SR 193 Million of Net Profit in Three Month



Financial Statements ....Page 5

Savola net profit (before Capital Gain) for the 1<sup>st</sup> quarter 2009 compared with the same three quarters of previous years

## Savola Achieves Sales of SR 3,63 Billion for the First Quarter

The Savola Group recorded an increase of 21% in its revenues for the 1st quarter of 2009 achieving SR 3.63 billion compared to SR 3 billion reported for the first quarter last year. This growth demonstrates the ability of the Group to maintain its competitive and leadership position in the local and international markets in which it operates. As a result, the Group achieved a net profit of SR 193 million for the 1st quarter (including 8 % as capital gain) growing by over 20% above the projected Net Income for the quarter. The Group has projected its 2nd quarter net profit to reach SR 164 million, and continues to maintain its targeted net income (excluding capital gains) of SR 800 million for the year (please see [pages 2-3](#) for more details)





Eng. Adel M. Fakeih

## Message from the Chairman

In the name of Allah, the Most Gracious, the Most Merciful  
May Peace and Blessing of Allah be upon the  
Prophet Mohamed Ibn Abdullah

Dear Savola Group shareholders,

It is my great pleasure to welcome you to the "Savola Group Newsletter for the first Quarter of 2009" and to update you on the latest developments of the Group's performance and achievements during the quarter. Al Hamdulillah, the financial results for the first quarter of 2009 have shown steady growth in the Group's operations. This growth is reflected in the substantial increase in revenues, which exceeded SR 3.6 billion; an increase of 21% over the first quarter of the previous year 2008. This is an achievement that reflects the ability of Savola to surmount the difficulties of the current world economic crisis, whilst sustaining at the same time, its leadership position in the local and international markets in which it operates.

During the quarter, the Group invested SR 167 million to acquire 5% of the Savola Foods Company, thereby increasing its ownership to 90%. This investment was funded mainly from the proceeds of the sale of its investment portfolio in the Saudi Stock Market. The Group also invested SR 65 million to increase its share in its subsidiary company Afia International Egypt from 94.6% to 99.82%. These investments are expected to reflect positively on the Group's profitability, given the continuing growth in the operations of the two companies. The Group also signed the contracts for the establishment and financing of the Alexandria Beet Root Sugar Project. This sugar project will be the second of its kind in the Arab Republic of Egypt and that is in conformity with the policy of strengthening local and regional investments in the food sector.

As a confirmation of the Group's policy of sustainable distribution of quarterly dividends to its shareholders, the Group announced the distribution of SR 125 million as dividends for the first quarter at SR 0.25 per share. In addition, as part of the Group's commitment to maximize shareholders value, the Group published both in the local newspapers and on Savola's website, the list of names of shareholders who have unclaimed dividends that have remained outstanding for many years. This step was taken in line with the Group's commitment to maintaining its core values and beliefs, and maintaining the high standards of transparency and Corporate Governance that are applied by the company. The company has also adopted a number of initiatives that have won a number of awards and certificates at local, regional and international levels.

As part of its efforts to comply with good Corporate Governance (CG), the Savola Group has appointed Ernst & Young (E&Y) to carry out an independent comparison between the Savola Group current (CG) practices and CG code issued by the Saudi Capital Market Authority (CMA). This independent exercise assessed The Group's commitment during the year 2008 to the CG code issued by the CMA. You will find a summary of the results achieved by the Group in CG Section in the last page of this issue.

Finally, I would like to extend my sincere appreciation and gratitude to all our esteemed shareholders for their continued support and trust in the management of the Group and its subsidiaries; with best wishes for additional and continuous success.

Eng. Adel M. Fakeih,

Chairman of the Board of Directors

## Savola Increases its Operating Profits by 38%

### and Achieves SR 193 Million of Net Profit in Three Months

**The** Savola Group reported on the 11<sup>th</sup> of April 2009, its provisional financial results for the period ended on 31/3/2009 which showed a net profit of SR 193 million for the 1<sup>st</sup> quarter against the loss of 464 for the 4<sup>th</sup> quarter of 2008 and SR 250 million for the same quarter last year, however, the net profit of the quarter included SR 15 million as capital gain. Whereas, the gross profit of the group increased by 28% to reach SR 616 million during the first quarter of 2009 compared to SR 482 million for the first quarter of 2008. The profit generated by operations for the first quarter were SR 279 million compared to SR 202 million for the same quarter last year, an increase of 38%. The Group has announced the details of these results in a press conference given by the Group Managing Director, Dr. Sami M. Baroum, which was attended by a number of prominent economists and journalists.



The Group MD and the Executive Management Team during the Press Conference



Media Representatives & Economists during the Savola Press Conference

It is worth mentioning that the Group had previously projected net income of SR 160 million for the quarter, excluding capital gains, which was exceeded the projected Net Income for the quarter by 20.3%.

The increase in operating

profits is attributed to the growth and improvement of operations across all sectors inside the KSA and abroad. The drop in the net profits of the current period compared with the corresponding quarter of last year is due to the capital gain of SR 114 mil-

lion generated in Q1 2008. With the help of Allah, the Group expects to achieve a net profit of SR 164 million for the 2<sup>nd</sup> quarter of 2009 and a net profit of SR 800 million for 2009 excluding any capital gains that may be achieved during the year.

### The Savola Group Financial Summary for the 1<sup>st</sup> Quarter of 2009 against the Same Period Last Year

In Millions SR	1 <sup>st</sup> Quarter, 2009	1 <sup>st</sup> Quarter, 2008
Net Sales	3,635	2,996
Gross Profit	616	482
GP Margin	17%	16.1%
Operating (Loss) Profit	279	202
Capital Gain/ Loss	15	114
Net Profit	193	250

### Savola Distributes SR 125 Million of Dividends to its Shareholders for the 1st Quarter of 2009

**In** continuation to its announced policy to distribute quarterly dividends to its shareholders, the Savola Board of Directors resolved in its meeting on held 09/04/2009 to distribute dividends amounting to SR 125 million for the 1<sup>st</sup> quarter of 2009 (SR 0.25 per share) to the shareholders registered in the company books by the end of the trading date

of Saturday 18th April 2009, which coincides with the date of the Assembly Annual General meeting of shareholders (AGM). This is in addition to the dividends of SR 125 million (at SR 0.25 per share) approved by the AGM for the 4<sup>th</sup> quarter of 2008. The total amount of the dividend payment for the two quarters is SR 250 million at SR 0.50.





## H. E. President Mohamed Hosni Mubarak - President of Arab Republic of Egypt

### Visits the Refinery of United Sugar Co. of Egypt, a Subsidiary of Savola Group



The Savola Group MD, the Chairman of the Board and Executive Management of USCE Receive H. E. President Mohamed Hosni Mubarak- President of Arab Republic of Egypt

**H. E. President Mohamed Hosni Mubarak- President Arab Republic of Egypt** visited the refinery of United Sugar Co. of Egypt, (a subsidiary of Savola Group) at the end of March 2009. H. E. was welcomed by the Chairman of the Board of Directors of United Sugar Company, Egypt, Sheikh Emad Abdulgadir Almuhaideb, and the Managing Director of the Savola Group, Dr. Sami Mohsen Baroum, accompanied with the Executive Management of Savola Food Sector and the staff of United Sugar Company, Egypt. H.E. the President received a briefing about the work flow of the sugar refinery, the advanced technology used in the sugar refining and processing, and efforts exerted to enhance investment.

In this respect United Sugar Company of Egypt extends its sincere thanks and gratitude to H.E. President Mohamed Hosni Mubarak for his kind visit to the sugar refinery in the Industrial Area, north-west of the Suez, which showed huge support to Arab investment in the Arab Republic of Egypt.

It is noteworthy that the refinery was launched in Ein Al Sukhna in Egypt in 2005, with a production capacity of 750,000 MT of sugar annually. This production capacity is expandable to 1.25 million MT annually.

The refinery was built on a 138,000 square meters with a capital cost of \$133 million. Its trademark "Al Osra Sugar", which was launched recently, is one of the major sugar brand in Egyptian sugar market.

## The Annual General Meeting of Savola Shareholders Approves its Agenda with Majority of Votes



Savola Shareholders during the Annual General Assembly Meeting (AGM)



**The** Ordinary General Annual Assembly meeting of Savola Group Shareholders was held on Saturday 18th of April 2009 at Jeddah Westin Hotel, Jeddah. The meeting was chaired by H.E. Eng. Adel M. Fakeih, the Chairman of the Board. The assembly approved all agenda with the majority of votes. The agenda consisted of the approval of the consolidated financial statements and the annual report of the Board

of Directors for the financial year 2008. The AGM also approved absolving the members of the Board of Directors from the responsibility of managing the company for year 2008, and the appointment of KPMG Alfawzan and Alsadhan as an external auditors to audit the quarterly and final accounts of the Group for the year 2009 against a fee of SR. 195,000/-. The AGM also approved the dividends distributed for the year 2008, as detailed on [page \(2\)](#).



The Chairman and the Board Members of the Savola Group during the AGM



Mr. Saleh Al-Juhani, Ministry of Commerce Representatives

[www.savola.com](http://www.savola.com)



Dr. Sami Mohsen Baroum

### Message from the Managing Director

**In the name of Allah the Most Gracious, the Most Merciful**

Dear shareholders of Savola Group,

I am pleased to share with you the performance and achievements of the group for the first quarter of 2009. The Group, during this quarter, was able to overcome and successfully minimize the adverse effects of the world financial crisis on its operations. Despite the sharp drop in the value of the Group's stock of raw materials, your Group succeeded in exceeding its provisional net income projections by 20% and increasing its revenues by 21% compared to the similar period of last year. This demonstrates the ability of the Group to maintain its competitive and leadership position in the local and international markets in which it operates, whilst generating value to its shareholders.

The operating profits grew by over 38% compared to last year as a result of the Group's policy to focus on its core businesses. Operating profits reached SR 279 million bringing the net profits for the first quarter to 193 million Riyals; 92% of which was from the core operations of the Group and 8% from capital gains.

The food sector was able to increase its sales volume for the first quarter to 726,000 tons compared to 606,000 tons for the corresponding quarter of last year; an increase of 20%. Total revenues declined marginally during the quarter compared to last year (i.e SR 2.24 billion against SR 2.26 billion) driven by lower commodity prices.

The retail sector grew its revenues by 50% to reach SR 1.8 billion for the quarter compared with SR 1.2 billion for the same quarter of the last year. This growth came as a consequence of increase in number of Panda stores, increase in the volume of sales in all Panda stores and the consolidation of Giant Stores revenues with the retail sector Panda Stores this year.

The Plastics Division was also successful in increasing its sales by 7% to reach SR 158 million for the first quarter compared to SR 148 million for the corresponding quarter of last year.

The Group completely divested its investment shares portfolio and utilized the funds in increasing its shareholdings in Savola Foods and Afia Egypt, during the quarter.

As part of the Corporate Social Responsibility program, the retail sector organized a blood donation campaign throughout its branches in Saudi Arabia. A campaign to assist the Palestinian people in Gaza was also organized. The Disabled Children Association was also supported through the program of "Leave the change for them". The Savola Group has also participated in events to share its leadership expertise with some educational, public and private sector institutions, the Jeddah Chamber of Commerce & Industry, King Abdulaziz University and international universities such as Oxford University and Wharton Business School for Management. The Group has also begun to activate the programs of CSR in Egypt.

Finally, I would like to extend my sincere thanks and gratitude to you the shareholders, the Group's Board of Directors, the Executive Management and all of the Group's employees inside & outside K.S.A for the continued support. I assure you that we are determined, with the help of Almighty Allah, to achieve the target we promised to deliver.

May Allah grant us success.

**Dr. Sami Mohsen Baroum**  
Group Managing Director



## Savola Participates as a Founding Partner in a Residential Real Estate Project with the Cost of SR 2.4 Billion

**Savola** Group announced its participation as a founding partner in a new residential real estate project in north of Jeddah. The project targets medium-income people, and is in partnership with Kinan International Company for Real Estate Development and Ebella Co. (one of the entities of Saudi Bin Laden Group). The total area of the project is about 3 million square meters, with a total cost amounting to SR. 2.4 billion. The new partnership agreement was signed by the three partners on 5<sup>th</sup> April 2009. The stake of Savola in this project is 30.4%

Savola Group owns 30% of Kinan International Co. for Real Estate Development. Kinan International will manage this project which is equipped with proven expertise and efficiency in the development and managing various commercial centers throughout the K.S.A. A work plan has been developed and approved by the three partners. The project will be developed in three phases over

a period of six years. The first phase will be executed in two years. On completion, the project will provide over 8,000 residential units of various spaces and prices including flats, duplex and villas. The company aims to begin sales by the end of this year after obtaining the necessary approvals and licenses from the concerned authorities.



Mr. Saleh Bin Laden, Dr. Sami Baroum & Eng. Nidal Jamjoom signing the agreement of Asfan Land Residential Real Estate Project

## Savola Acquires an Additional Stake in Savola Food Company Valued at SR 167 Million and Additional Stake in Afia Egypt for SR 65 Million



**In** line with Savola's strategy to focus its operations on its core business and increase its ownership in its current subsidiaries within the Saudi Arabia and abroad whenever possible, the Group finalized all legal procedures in reference to the negotiations to acquire an additional stake of 5% in the capital of Savola Food Company. Therefore, as of 8<sup>th</sup> April 2009 when the agreement was signed, Savola will raise its ownership in the company's capital from 85% to 90%. The value of this deal reached SR 167 million. Savola Food Company owns and manages all Savola operations of vegetable oil and sugar production via 11 factories across eight countries. The high quality products of these factories are distributed and exported to over 30 countries throughout the Middle East, North Africa and Central Asia regions.

In continuation of the same strategy, Savola has recently announced that it has signed a deal to acquire the minority stake in the capital of Afia Egypt consisting of 30.93 million shares. By taking this step, Afia

International in K.S.A. (a subsidiary of the Savola Group companies), would have raised its ownership of the capital of Afia Egypt from 94.6% to 99.82%. The value of this deal reached SR. 65 million.

## Hyper Panda Opens its First Store in Khamis Mushait

**The** Governor of Khamis Mushait, H. E. Abdulaziz Bin Said Bin Mushait, in the presence of the Head of Khamis Mushait Municipality, Dr. Abdullah Abdulrahman Alzahrani, the CEO of Retail and Packaging Sectors - Dr. Mohammad Amin Kashgari, opened the first store of Hyper Panda in Khamis Venue, King Khalid Road, Khamis Mushait. The opening ceremony took place on Monday 16 March 2009 in the presence of number of Senior Government Officials in the province of Khamis Mushait and the management of Al-Azizia Panda United.

Dr. Kashgari stated that the opening of this store, which is the 18<sup>th</sup> Hyper Panda store in K.S.A., comes in line with the strategic plan of the retail division of Savola Group which intends to increase its stores of Hyperpanda to 30 branches and its supermarkets to 100 by the end of 2010. He added that opening of Panda Hypermarket serves the residents of Khamis Mushait and its visitors from neighboring towns, and that new openings come in line with caring for customers and responding to their

needs throughout the Kingdom.

Hyper Panda of Khamis Mushait is distinct with its large space as its selling area is estimated at more than 6,100 square meters and is managed by a team of 251 employees, 98 of whom are Saudi nationals, which enhances the strategic steps of the company to nationalize jobs and increase the percentage of Saudization in the company. This new Hyper Panda store comprises more than 23 cashier points in order to serve the customers in an efficient manner.



The Governor of Khamis Mushait with Panda Executive Management and Panda Khamis Mushait Branch's Employees

Mr. Rami Rajab, Director – Marketing, said that a number of excellent marketing programs and wonderful offers have been set up on the occasion of opening of the first Hyper Panda in Khamis Mushait. Customers will enjoy a number of privileges, including competitive prices and a variety of offerings that suit all the family's needs in different categories such as vegetables, fruits, cheese, meat and fish. There will also be a wide range of electrical and electronic appliances, TV sets, PCs,

mobile phones and other consumer goods in addition to cosmetics, sport items and various toys.

Al-Azizia Panda United strives through its ambitious plan to expand across the cities of K.S.A., in order to provide its services to all categories of consumers. In this context many stores of Giant Stores were transformed into Panda and Hyper Panda stores following the merger between Al-Azizia Panda United and the Giant Stores in late 2008.

## SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

### INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at March 31, 2009

	2009 (SR 000)	2008 (SR 000)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	773,872	573,780
Investments	--	533,522
Trade receivables	1,014,887	835,425
Inventories	1,803,803	1,491,116
Prepayments and other current assets	1,315,198	661,152
Total current assets	4,907,760	4,094,995
Non-current assets:		
Investments	4,976,343	4,113,136
Intangible assets	814,002	517,132
Property, plant and equipment	4,242,723	3,741,473
Total non-current assets	10,033,068	8,371,741
Total assets	14,940,828	12,466,736
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term bank debts	1,830,434	1,798,993
Current portion of long-term debts	330,938	136,115
Trade payable	1,423,357	889,417
Accrued expenses and other current liabilities	1,137,641	1,169,936
Total current liabilities	4,722,370	3,994,461
Non-current liabilities:		
Long-term payables	66,289	69,214
Long-term debts	2,688,434	576,248
Employees' termination benefits	213,631	166,539
Total non-current liabilities	2,968,354	812,001
Total liabilities	7,690,724	4,806,462
<b>EQUITY:</b>		
Equity attributable to the Company's shareholders:		
Share capital	5,000,000	5,000,000
Statutory reserve	772,946	752,710
General reserve	4,000	4,000
Unrealized (loss) /gains on investments	(131,718)	203,644
Foreign currency translation account	(186,677)	(97,894)
Retained earnings	1,016,906	1,166,226
Total shareholders' equity	6,475,457	7,028,686
Minority interests	774,647	631,588
Total equity	7,250,104	7,660,274
Total liabilities and equity	14,940,828	12,466,736

#### Savola major shareholders list who owns 5% or more from the company shares as of 28<sup>th</sup> April 2009

Ser.	Shareholders name	Ownership Percentage*
1.	Mohammed Ibrahim Al-Issa	11.9 %
2.	General Organization for Social Insurance	8.9 %
3.	Abdullah Mohammed Al-Rabe'ah	8.7 %
4.	Abdulgadir Al-Muhaidib & Sons Company	8.4 %

\* The paid capital of the Savola Group is SR 5 billion divided into 500 million shares having equal nominal value of SR 10 per share,

#### Note:

The above ownership percentage may change from time to time based on the trading movement in the Savola Group shares in the stock market.



#### Note Please:

To review the detailed accounts for the 3rd quarter, please visit Savola website:

([www.savola.com](http://www.savola.com))

or Tadawul website:

([www.tadawul.com.sa](http://www.tadawul.com.sa))

It was also published in:

- Al-Madina Newspaper Issue No. 16791 dated 13<sup>th</sup> April 2009.
- Al-Egtisadia Newspaper Issue No. 5664 dated 18<sup>th</sup> April 2009.

## SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

5

### INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the three-month period ended March 31, 2009

	2009 (SR 000)	2008 (SR 000)
Revenues – net	3,635,043	2,996,425
Cost of revenues	(3,018,721)	(2,514,683)
<b>Gross profit</b>	616,322	481,742
Share of profits (loss) of associates and jointly controlled entity and dividend income – net	106,875	96,309
Other income – net	21,940	10,392
<b>Total income</b>	745,137	588,443
<b>EXPENSES:</b>		
Selling and marketing	(342,491)	(262,418)
General and administrative	(124,058)	(123,743)
<b>Total expenses</b>	(466,549)	(386,161)
<b>Income from operations</b>	278,588	202,282
Gain on disposals of investments	15,487	113,941
Financial charges – net	(51,895)	(26,027)
<b>Income before Zakat and income tax and minority interests</b>	242,180	290,196
Zakat and income tax	(14,104)	(29,695)
<b>Net income before minority interests</b>	228,076	260,501
Share of minority interests in the net (income) of consolidated subsidiaries	(35,524)	(10,019)
<b>Net income</b>	192,552	250,482
Earnings per share - Income from operations	0.56	0.40
– Net income	0.39	0.50

## SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

### INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended March 31, 2009

	2009 (SR 000)	2008 (SR 000)
<b>Cash flows from operating activities:</b>		
Net income	192,552	250,482
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortisation	107,002	85,229
(Gain) on sale of property, plant and equipment	(1,826)	(380)
(Gain) on disposal of investments	(15,487)	(113,941)
Financial charges	51,895	26,027
Share of minority interests in net income of consolidated subsidiaries	35,524	10,019
<b>Changes in operating assets and liabilities:</b>		
Trade receivables	(95,096)	(171,813)
Inventories	235,555	(259,305)
Prepayments and other current assets	(181,136)	(23,141)
Trade payables	207,111	107,448
Accrued expenses and other current liabilities	(228,398)	259,594
Employees' termination benefits	2,935	13,121
Total adjustments	118,079	(67,142)
Net cash provided by operating activities	310,631	183,340
<b>Cash flows from investing activities:</b>		
Net change in investments	(238,341)	111,386
Net change in intangible assets	(31,841)	(217,871)
Net addition to property, plant and equipment	(110,482)	(300,746)
Net cash used in investing activities	(380,664)	(407,231)
<b>Cash flows from financing activities:</b>		
Net change in short-term debts	(1,463,131)	485,323
Net change in long-term debts	1,762,595	122,638
Net change in minority interests	(8,392)	5,794
Financial charges	(51,895)	(26,027)
Dividend paid	(156)	(124,589)
Net cash provided by financing activities	239,021	463,139
Net change in cash and cash equivalents	168,988	239,248
Cash and cash equivalents at beginning of the period	604,884	330,129
Cash and cash equivalents at end of the period	773,872	569,377
<b>Non cash items:</b>		
Foreign currency translation adjustments	(25,750)	5,808
Unrealized (loss) /gains on available-for-sale investments	(4,465)	247,285
Directors' remunerations	600	600
Dividend income	116,800	104,017



## H.E. the Minister of Commerce and Industry Honors the Savola Packing System Company for Winning King Abdulaziz Award for Quality



H.E. Abdullah Zainal, Minister of Commerce and Industry presents King Abdulaziz Award for Quality to Mr. Ibrahim M. Alissa, Chairman of the Board of Savola Packaging System Company

H.E. the Minister said that Savola Packing Systems was among the companies who qualified by meeting the award criteria for medium scale production "which are considered as international criteria" and that it enjoys high quality applications, which will undoubtedly add both moral and material value to the company and this is undoubtedly appreciated by us.

At the end of the celebration H.E. the Minister expressed his thanks and appreciation to the companies that had won the awards and stated that the achievement indicated the keenness of these companies to compete for the award and apply the standards for distinction thereby fulfilling the requirements for winning the award. He urged the companies to strive for more leadership.

**H.E.** Abdullah Zainal, Minister of Commerce and Industry and Chairman of the Saudi Corporation for Standards and Specifications and the Head of King Abdulaziz Award for Quality in presence of number of officials from public and private sectors honored the Savola Packing System Co. (a subsidiary of Savola Group) for winning King Abdulaziz Award for Quality for Medium Size Production. The celebration was to honor the four winning companies and it took place on 13<sup>th</sup> April 2009. The winners included Savola Packing Systems Co., Saudi Telecommunication Co. and Jubail Petrochemicals Co. (KEYMA). The prize was received by Sheikh Ibrahim Mohamed Alissa, the Chairman of Savola Packing Systems Board of Directors.



Eng. Azhar Kanji  
President of Plastics Division

In this respect Eng. Azhar Kanji, President – Savola Packaging Division stated that the winners of the King Abdulaziz award for Quality had come through to the finals of the competition having surpassed more than 100 Saudi companies who competed in the first rounds. This celebration came as a crowning and appreciation of the efforts of these companies and their distinction for quality.

The Plastics Sector is one of the important and main sectors of Savola and it owns six factories: two in Jeddah, two in Riyadh and two in Egypt. The sector has achieved big growth in sales and in net profits during 2008. The sector's sales were up by 37% reaching over SR. 775 million for 2008 with consolidated net profits of SR. 56 million against SR. 40 million for last year.

## Almarai Signs an Agreement with the World's Largest Food and Beverages Company

## and Achieves Profit of SR 197 Million in First Quarter of 2009



**Almarai** which is 28% owned by Savola signed an agreement with Pepsico (the world's largest food and beverages company) in February 2009 to form a company to explore opportunities for investment in dairy and juice under the name of International Dairy and Juice Co. Ltd. The stake of Almarai in this proposed deal will own 48% of the said company capital. This step comes in line with the company's strategy and the five year plan previously announced, and also in response to the increasing demand locally and internationally for its high quality food products.

The proposed company will initially focus on investment opportunities in South-East Asia, Africa and the Middle East and will set priorities of work in the targeted markets where there are growth opportunities for high quality dairy and juice products. This alliance will benefit from the synergies of both companies and their trade-

marks in addition to the wide experience of Almarai in dairy production. The provisional studies conducted by the company highlighted the strategic importance of entering into these markets. This step comes in line with the approach of the company to provide food products through local production to serve its customers and in recognition

of the rights and interests of the shareholders.

In continuation of its efforts, Almarai has achieved a net profit of SR 197.4 million for the first quarter of 2009 against SR 162.2 million for the corresponding quarter of last year – rising by 21.7%. The company has also achieved an operating profit of SR 248.2

million for the first quarter of the year against SR 194.5 million for the corresponding quarter of last year – a rise of 27.6%. The General Assembly of Almarai Company has also approved distribution of dividends of SR 381.5 million to its shareholders for 2008 at the ratio of SR 3.50 per share.



## Herfy Increases its outlets to 142 Restaurants and Opens Three New Outlets During the First Quarter of 2009

**Following** the persistent successes of Herfy in food services sector (70% of which is owned by Savola) the company has expanded its activity by opening three new restaurants during the first quarter of 2009 in Riyadh, Irajia and Najran (Najran Mall). Another outlet was also opened in Al-Madinah Al-Munawarah (Al Rashid Mall), this site is a distinctive selection and brings the total number of outlets to 142. Herfy has also expanded its confectionery stores by opening two new outlets in Riyadh bringing the total number of confectionery outlets to 16.

Herfy food valued customers and those with a taste for fast food enjoyed a number of promotional offers throughout these openings. The offers comprised a wide assortment of quality and educational toys and games for children, all of which are appropriate to the child's age and environment. The Meat and Rusk plant



products have secured a huge share in most of the supermarkets and hypermarkets throughout the Kingdom. The company continuously strives to increase production and improve quality to respond to the meat demand of the Saudi market and to achieve a leadership role in this field.

In the ongoing ambitious training and development plans of the company, it is intended to qualify and upgrade all staff. To date, the training department has trained more than 796 employees and technicians. Programs to develop Supervisors were also carried out, along with programs to upgrade Saudi Accountants, and programs dedicated to training new employees and with emphasis on ISO quality standards. In further development of this plan the company has signed a new agreement for 2009 with the Human Resources Development Fund to recruit more Saudi employees.



## Panda Campaign to Support Palestinians in Gaza

### Raised over SR 1.3 Million

**The** CEO of the Retail and Plastics sector of Savola, Dr. Mohamed Amin Kashgari, handed a cheque for SR 500,000 to the World Assembly for Muslim Youth (WAMY) as a financial aid to the citizens of Gaza. The cheque was handed over to Dr. Mohamed Bin Omer Badahdah, Head of WAMY in Makkah region, and his deputy Dr. Mohamed Bin Damas Al Ghamdi.

In his speech, Dr. Kashgari stated that Panda has also bought and sent five ambulance vehicles, at a cost of SR 500,000 as a donation to the Palestinian Red Crescent Society in Gaza. In addition to further donations of food items costing over SR 300,000..

The total amount raised, more than SR 1.3 million, is the result of four programs conducted by Al-Azizia Panda United to raise funds for Gaza citizens. One per cent of the total sales of Panda and Hyper Panda in the K.S.A. for a week was donated to Gaza, along

with the "Leave the Change for Them" campaign in January 2009 having obtaining the approval of the Disabled Children Association.

These donations were in addition to the internal company program which has enabled Panda staff to personally donate money to citizens of the Gaza strip through paying one day salary. This last program has been made in co-ordination with many of the company's suppliers to raise more in-kind



donations for the campaign.

Dr. Kashgari has commended the efforts exerted to support Gaza citizens by the WAMY. In response to the appeal of the Custodian of the Two Holy Mosques to support the citizens of Gaza, he has also affirmed the intent of Panda to open new horizons of co-operation with the WAMY in many pressing social issues.

The social issues addressed by Al-Azizia Panda United are fully in line with Savola's strategy and policy of Corporate Social Responsibility Programs and to participate in projects that support human welfare issues. Al-Azizia Panda United occupies a pioneering position in the scope of society service among Saudi retail companies.

## To Explore New Opportunities for Investment Co-operation,

### Savola Receives Delegates of Kazakhstan Businessmen and members of Chambers of Commerce



Kazakhstan Delegates & Savola Executive Management Team at Savola HQ in Jeddah

**A** delegation of Kazakhstan businessmen and members of Chambers of Commerce, headed by Mr. Kingis Rakshif, Vice President of the Council for Commercial and Industrial Chambers of Kazakhstan paid a visit during April 2009 to the Savola Group to enhance mutual business relationship and to offer available investment opportunities in Kazakhstan in a variety of fields - in particular sugar plantation and refining.

The Ambassador of Kazakhstan in Saudi Arabia and the Consul-General of Kazakhstan in Jeddah were with delegation and met with Dr. Sami Mohsin Baroum, the Managing Director of the Savola Group and the Executive Management Team of Savola. The delegation also visited the

United Sugar Company Refinery (a subsidiary of Savola) at Jeddah Islamic Port, where the delegation was briefed on the work flow and the technology employed in refining sugar.

The Republic of Kazakhstan is one of Savola's targeted countries for investment in fields such as agriculture. Savola also owns a vegetable oil plant and the products of Savola Kazakhstan ranks first in market share in Kazakhstan.



## the Managing Director of Savola Group Addresses on the International Financial Crises and its Implications on Local Companies

**Dr.** Sami Mohsen Baroum, the Managing Director of Savola Group, delivered a lecture to the Jeddah Chamber of Commerce and Industry on the International Financial Crisis and its implications on local companies. The lecture took place in March 2009, and was attended by a large audience consisting of economists, businessmen, academicians and other interested bodies. Dr. Baroum analyzed the international financial crisis, the factors that led to the current international economic crisis in addition to its effects on the world economies, the Asian economies and Gulf countries.

Dr. Baroum highlighted the experience of Savola Group and elaborated on the challenges faced as a result of the financial crisis and the measures taken by management of the Group to address them. In this context Dr. Baroum said: "The capitalist system has encouraged consumption through easy-lending over

many years and decreased saving. The light regulation of financial and investment institutions led to more toxic assets being mortgaged and treated outside financial statements and resulted in the dependence of returns on higher levels of debt, more complacency about the effects of the rising risk levels, increased



correlation between various assets and the increase in the organic correlation between various economies."

The Managing Director also briefed the effects of the international financial crisis on the world economies, regional and Gulf economies and the economy of the Kingdom of Saudi Arabia, high-

lighting Savola's experience in dealing with this crisis.

Also the MD during the month of April shared the Savola Group experience with a team of Saudi executives participating in the advanced management program organized and executed by Oxford University in Riyadh.



Participants Photo during the Group MD Presentation at JCCI on "International Financial Crises and its Implications on Local Companies"



Members of Oxford University Advanced Management Program with the Group MD

## Savola Participates in the Workshops Forum of Public Relations for International Institutions in Kuwait

**Savola** Group took part in the forum of Public Relations for International institutions in Kuwait, organized by Ministry of Endowments and Islamic Affairs, under the patronage of H.E. the Minister of Justice, Endowments and Islamic Affairs. The Forum took place in Kuwait on 25 & 26 March, 2009 under the slogan of 'Visions and Ambitions' which comprised of many workshops that reflected the latest developments in the field of public relations and practice.

Mrs. Faten Alyafi, Senior Director of CSR & PR in Savola presented a paper on the concept of the public relations and its role in the enhancement of the reputation of the institution. She highlighted that media and public relations issues are of high importance in the age of digital information. The paper was detailed and gave a portrayal of the experience of Savola in the area of Corporate Social Responsibility and linking it with public relations, as both

aim at the enhancement of the reputation of the institution and consolidation of its image before community and concerned associations.

The new CSR strategy of Savola Group particularly focuses on two main areas in the field of CSR. The first initiative - Savola Bridge is to focus on Special Needs People, which aims at the establishment of a center of excellence for training and employment of those with special needs. The Group has

begun preparations with the assistance of international experts in the field and new steps are being initiated presently.

The second initiative - Leadership Program - aims at sharing the experience and expertise of Savola to educational institutions, public and private sectors, in order to utilize their experience in the area of developing administrative and leadership abilities, modern administration systems, institutional culture, marketing research, company account-

ability and the social responsibility the nationalization of jobs etc.

This initiative has been launched by the Managing Director and the Executive Management Team. The Managing Director and a number of the executive managers of the Group and its subsidiaries have delivered a lectures and forums at many public and educational institutions and international universities like Oxford University and Wharton University.



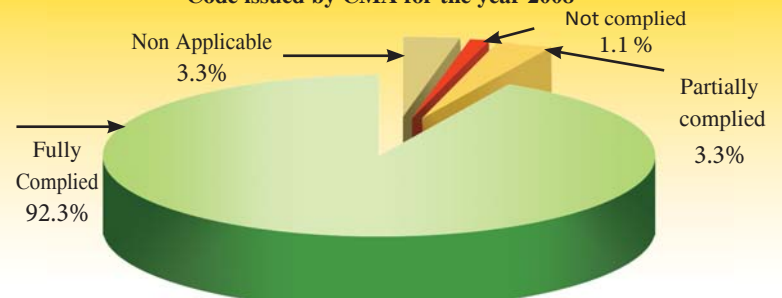
## Results of the Savola Corporate Governance Compliance for 2008

To ensure an independent assessment for Savola commitment to CG guidelines and standards:

- The Savola Group has appointed Ernst & Young to carry out an independent comparison between the Savola Group current corporate governance (CG) practices and CG code issued by the Saudi Capital Market Authority (CMA).
- This independent assessment showed Savola is 92.3% complied with the CG code issued by the CMA.

**Note:** The only item that has not been implemented by the Group was "cumulative voting technique", which has been presented to the General Assembly on 25 March 2008. However, this has been voted against by the Shareholders Assembly.

### Summary on Savola Group Compliance with Corporate Governance Code issued by CMA for the year 2008



#### Savola News letter

Issued by Corporate Affairs, Investor Relations  
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