



مجموعة صافولا  
The Savola Group

Savola Quarterly Newsletter

4th Quarter 2011

# Savola News

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

## The Savola Group Achieves Its Highest Ever Full Year Net Profit from Operation Exceeds SR 1 Billion

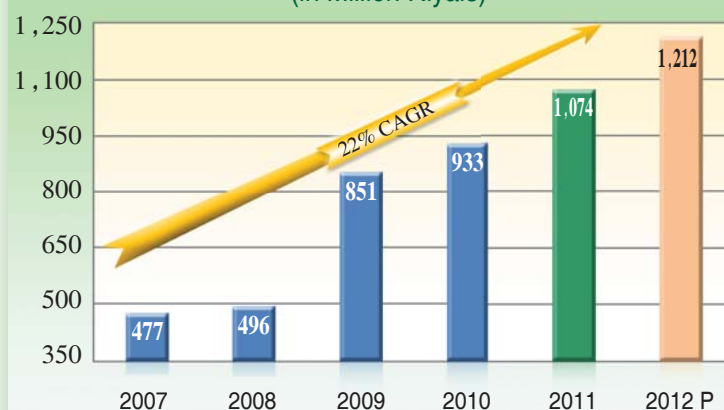
## The Group Board of Directors Approves Distribution of SR 275 million as Dividends for the 4th Quarter 2011

## Targeting Net Profit (Before Capital Gains) of SR 1.2 Billion for 2012

- The Savola Group achieves net profit of SR 498.6 Million for the 4th quarter 2011, an increase of 24,830% compared to same quarter last year of SR 2 Million an increase of 61.9% compared to the 3rd quarter 2011, which was SR 307.9 Million.
- Revenues for the 4th Quarter amounted to SR 6.6 Billion, an increase of 15.8% compared to the same quarter last year, bringing its total revenues for 2011 to SR 25.3 Billion, an increase of 20.5% compared to last year.
- The Savola Group sells its shares in two parcels of lands located in Riyadh & Jeddah, achieving SR 153 Million as capital gain, and signed a contract to sell its shares in two parcels of lands located in Al-Madina Al-Munawwarrah City valued at SR 631 Million.
- Savola acquires all capital of Al-Malika & Al-Farasha in Egypt companies specializing in pasta.
- Azizia Panda United (APU) celebrates its 33rd anniversary, and increases its stores (Super & Hyper markets) to 131 Kingdom wide.
- Savola Turkey launches a new Olive Oil product under the Yudum Brand name in Turkey achieving 15% market Share in One Year.
- Al Marai Company Achieves Net Income of SR 285.5 Million for the 4th Quarter 2011 and its Board of Directors recommends to increase its Capital Shares from SR 2.3 Billion to SR 4 Billion.
- Herfy Food Services Company Achieves Net Profit of SR 146.6 Million for the year 2011 and Opens 20 New Restaurants during the Year 2011, bringing its Total outlets to 188.
- Savola Center for Empowering Persons with Disabilities Celebrates Graduation Ceremony for the 2nd Batch of Trainees.

(For more details see next pages).

Growth of Net Income before capital gain and exceptional items (in Million Riyals)



The Group Managing Director and the Executive Team with the 2nd batch of trainees of Makeen Center during the Graduation Ceremony ... (page 7)

## The Group Board of Directors Approves Distribution of SR 275 Million as Dividends for the 4th Quarter 2011

In continuation of its declared policy to distribute quarterly & regular dividends to its shareholders and due to the outstanding net income achieved during the 4th quarter which amounted to SR 498.6 Million. The Savola Group's Board of Directors has approved to distribute cash dividends of SR 275 Million, (SR 0.55 per share) for the 4th quarter of 2011, out of which SR 150 Million as quarterly dividends (SR 0.30 per share) and SR 125 Million as additional dividends (SR 0.25 per share) for the same quarter, this is due to the outstanding performance and the capital gain achieved

during the year. The maturity date will be for the Groups shareholders registered in the company books by the end of the trading date of the Annual General Shareholders Meeting (AGM), which will be announced later after securing the necessary approval of the concerned authorities.

It's worth mentioning that the Savola Group has distributed SR 375 Million dividends for the last three quarters of 2011 (SR 0.25 per quarter per share) as cash dividends, this fresh distribution will bring the total dividends paid to shareholders for the full year 2011 to SR 650 Million (SR 1.30 per share).

**The Savola Group Achieves Its Highest Ever Full Year Net Profit (before capital gains and exceptional items) reaching SR 1.07 Billion, which is 7% higher than forecasted**

## Foreword



**Sulaiman A. Al Muhaidib**

### Dear Respected Shareholders,

I am pleased to convey my greetings to you in this edition of the Savola Newsletter for the 4th quarter of 2011 and report to you on The Savola Group's performance for the 4th quarter and the year ending 31/12/2011. The Group has recorded the highest ever net income before capital gains with exceptional results for both the 4th quarter and the year ending 31/12/2011. The Group achieved a net income for the twelve months ending 31 December 2011 amounting to SR 1.2 billion, an increase of 35.6% compared to last year's SR 886.7 million. This year was the best ever financial year for The Savola Group. You will find further details of other news and financial statements in the following pages of this newsletter.

During this quarter, The Savola Group acquired all capital shares of Al-Malika and Al-Farasha companies in Egypt specializing in pasta, giving the Group a new business line, which is expected to provide a good opportunity for integrating the existing operations in both edible oils and sugar business in Egypt. In addition, The Group has signed a contract of sale with Knowledge Economic City Company to sell its 80% stake in the land located in Al-Madina Al-Munawwarah city at a total value of SR 631.3 million. The Group is expected to realize a capital gain of SR 231.4 million out of this deal, which is expected to be booked during the year 2012.

In another development, The Group increased the share capital of "Savola Foods Company" from SR. 500 million to SR. 2.2 billion. This capital increase is recommended in order to match the company's current investments and assets value as well as the future strategic expansions both locally

and regionally. These steps have been initiated to further strengthen Savola's strategy to focus on its core operations: Foods, Retail & Plastics.

In the meantime, The Group maintained its leading competitive advantage locally and regionally despite the tough circumstances and bumpy road that the region has been undergoing since early 2011. The Group also has a strong financial position and is very proud of its sound corporate culture, management leadership and the competency of its human assets.

In line with The Group's policy of enhancing its disclosures and transparency with its shareholders and investors, The Group announced that the 2012 full year forecast is expected to reach SR 1.2 billion net income (before capital gains and exceptional items) and for the 1st quarter of 2012 net income (before capital gains) is expected to reach SR 220 million.

Finally, on behalf of myself and my fellow board members, I would like to extend to you our sincerest thanks and appreciation for your trust and support. Also, our thanks and appreciation extended to The Groups' management and employees in the Kingdom and overseas for their continuous effort and dedication, and for delivering the best ever financial results for The Savola Group. I look forward to meeting you during your Annual General Assembly Meeting and again in the next issue of the 1st quarter 2012 with yet another set of good performance figures.

**Sulaiman A. Al Muhaidib**

*Chairman of the Board of Directors*

## The Savola Group Achieves Historic Performance in 2011 as Financial Results Hit SR 1 Billion Mark

**The** year 2011 was the best financial year ever for The Savola Group having hit the SR 1 Billion mark in profits without capital gains and exceptional items for this quarter and year 2011, which is a powerhouse performance of outstanding merit.

The Group has recorded its highest ever net income before capital gains with exceptional results for both the 4<sup>th</sup> quarter and the year end. Net income of The Group for the year 2011 (before capital gains and exceptional items) reached SR 1.07 Billion, which is 7% higher than the forecast of SR 1 Billion despite challenges in the overseas markets and substantial increase in raw material prices.

For the fourth quarter ended 31 December 2011 Savola achieved net income of SR 498.6 Million, an increase of 24,830% compared to the SR 2 Million for same quarter last year and an increase of 61.9% compared to the SR 307.9 Million for third quarter 2011.

Managing Director, highlighted that the 4<sup>th</sup> quarter 2011 net income of SR 370 Million (before capital gain and exceptional items) is 25% higher than the announced forecast of SR 296 Million.

On the other hand, the gross profit for the 4<sup>th</sup> quarter ended 31<sup>st</sup> December 2011 amounted to SR 1.16 Billion, an increase of 17.1% compared to SR 994.7 Million for the same quarter last year while the operating profit for the 4<sup>th</sup> quarter ended 31<sup>st</sup> December 2011 amounted to SR 587.5 Million, an increase

of 32.7% compared to SR 442.8 Million for the same quarter last year. Whereas, the gross profit for the twelve months ended 31<sup>st</sup> December 2011 amounted to SR 3.97 Billion, an increase of 16.1% compared to last year's SR 3.42 Billion and the operating profit for twelve months ended 31<sup>st</sup> December 2011 amounted to SR 1.8 Billion, representing a 20% increase compared to last year's SR1.5 Billion.

Net income for the twelve months ended 31<sup>st</sup> December 2011 amounted to SR 1.2 Billion, an increase of

35.6% compared to last year's SR 886.7 Million. Earnings per share for the twelve months ended 31<sup>st</sup> December 2011 were SR 2.40 as compared to SR 1.77 for last year.

The increase in The Group's net income for 4<sup>th</sup> quarter 2011 and for the year ended 31<sup>st</sup> December 2011, as compared to the same period last year, attributed mainly to the turnaround in profitability of overseas operations in the Foods Sector, continued sales growth and increase market share in Retail Sector, capital gain of SR 153 Million resulting from sale of land during 4<sup>th</sup> quarter 2011, impairment provisions taken during 4<sup>th</sup> quarter of 2010 and Herfy IPO capital gain in 1<sup>st</sup> quarter of 2010. Revenues for the 4<sup>th</sup> quarter 2011 reached SR 6.6 Billion, an increase of 15.8%, which brought the total revenues for the twelve months ended 31 December 2011 to SR 25.3 billion, an increase of 20.5% compared to the same period last year.

Net Revenues for the Year 2011 compared with last years (in Million Riyal)



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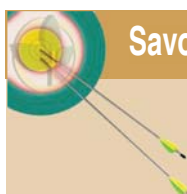
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### Savola Forecasts SR 1.2 Billion Net Income (before capital gains) for the Year 2012



**In** line with The Group's policy of enhancing further its disclosures and transparency with its shareholders and investors, the Group also announced that the 2012 full

year forecast is expected to reach SR 1.2 Billion net income (before capital gains) and for the 1<sup>st</sup> quarter of 2012 net income (before capital gains) is expected to reach SR 220 Million.



## Managing Director's Speech,



Dr. Abdulraouf M. Mannaa

### Dear Esteemed Shareholders,

I am pleased to contribute to this edition of the Savola Newsletter for the 4th quarter 2011 and share with you a brief update on the 4th quarter and end-of-year 2011 business and financial performance for The Savola Group. Al-Hamdulillah, The Group has recorded its highest ever net income for the year 2011 (before capital gains and exceptional items), which reached SR 1.07 billion, which is 7% higher than the projected net income of SR 1 billion.

For the 4th quarter ending 31 December 2011, The Group achieved net income of SR 498.6 million, an increase of 24,830% compared to the SR 2 million for the same quarter last year, an increase of 61.9% compared with the SR 307.9 million for the third quarter of 2011. Consolidated revenues for the 4th quarter 2011 reached SR 6.6 billion, an increase of 15.8%, which brought the total revenues for the twelve months ending 31 December 2011 to SR 25.3 billion, an increase of 20.5% compared to last year. This increase in The Group's net income for the 4th quarter and for the year ending December 31, 2011, as compared to the same period last year, can be attributed mainly to the turnaround in profitability of overseas operations in the Foods Sector, continued sales growth and increase market share in the Retail Sector, and capital gains resulting from sale of lands, which has been detailed further in this newsletter.

Further to our declared policy to distribute quarterly dividends to our shareholders, The Savola Group's Board of Directors has approved the distribution of SR 275 million, out of which SR 150 million are quarterly dividends (SR 0.30 per share) and SR 125 million as additional dividends (SR 0.25 per share) for the same quarter. This additional distribution is due to the outstanding net income of SR 498.6 million achieved by The Group, and

which included capital gains, as indicated earlier.

The Group continued its strategy, which aims at placing more focus on its core businesses (Foods, Retail and Plastic) and granting more autonomy to its operating companies to run and manage their own businesses, in order to gradually transition to a successful financial holding company. This strategic direction is expected to further improve the company operating performance, boost growth strategy in its core businesses and enhance shareholders' value.

In line with The Group's strategic objective to serve the community, which entails training and employing persons with disabilities, The Savola Group recently celebrated the graduation of its second batch of graduates with physical disabilities. This new batch will join their fellow graduates from the first batch that qualified in July 2010 in order to embark on their new careers provided by Savola in its various operating companies.

Finally, on behalf of myself as well as my fellow board members and The Group's executive team, I would like to extend to you my sincere thanks and appreciation for your trust and continuous support. Also, I express my special thanks and gratitude to all Savolans in the Kingdom and across the region for their distinguished performance and dedication exerted during 2011.

In closing, I am sure with our shareholders support and trust, and with Savolans Muazarah, team spirit, dedication, and the guidance from Almighty Allah, The Group will achieve its forecast for the 1st quarter of 2012 as indicated in the Chairman's speech in this issue.

I look forward to sharing more good news with you again in the next issue of this newsletter.

Dr. Abdulraouf M. Mannaa  
Group Managing Director

## The Group signs a contract to sell its shares in two Parceles of land located in Al-Madina Al-Munawwarrah City valued at SR 631 Million

## And sells its shares in two Parceles of land located in Riyadh & Jeddah, achieving SR 153 Million capital Gains

The Savola Group announced on 26<sup>th</sup> December 2011 that it has signed a sale contract with Knowledge Economic City Co. (KEC) to sell its 80% direct and indirect stake in Al-Mujamaat United Company for Real Estate (a Closed Joint Stock Company owned by Savola) to which Savola Group (the seller) will transfer its stake of 80% in the two Parceles of land located in Al-Madina Al-Munawwarrah City which is adjacent to KEC's project with a total area of 2,026,245 square meters (two millions twenty six thousands and two hundreds forty five Sqm). The total value of the transaction reached SR 631.3 Million, i.e. SR 389.5 per square meter.

Pursuant to the contract, the Buyer will pay an advance amount (Aarboon) of SR 16.3 Million to the seller at the time of contract signed and the remaining amount of SR 615 Million to be paid upon completion of transferring of 80% of Al-Mujamaat shares under KEC name or any of its subsidiaries and after transferring the said lands deed ownership to Mujamaat. Upon completion of the said transaction, the Group is expected to realize a capital gain of SR 231.4 Million, which will be booked during the year 2012.

On the other hand, and during the same Quarter,

The Savola Group announced on Monday 26<sup>th</sup> December 2011 that it has signed a contract to sell its shares in the land located in Jeddah equal to (40%) of the total land area 1,184,255.31 Square Meters to Kinan International Company for Real Estate Development (30% of which owned by Savola Group) the owner of 60% of the land at a total price of SR 213.8 Million. Pursuant to the contract, the Buyer will pay the price in three installments: 1<sup>st</sup> payment equal to SR 103 Million has been paid upon contract signature, 2<sup>nd</sup> payment after two year from the date of signing the contract and the 3<sup>rd</sup> installments to be paid after three year from the date of signing the contract. The Group will realize as a result of this transaction a net capital gain of SR 77.1 Million to be recorded in 4<sup>th</sup> quarter 2011 results.

In addition, The Savola Group announced that it has signed on same quarter, a contract to sell its shares in the land located in Riyadh equal to (75%) of the total land area (906.438.6 Square Meter) to Kinan International Company for Real Estate Development (30% of which owned by Savola Group) the owner of the remaining 25% of the land at a total price of SR 394.1 Million, i.e. SR 579.7

per square meter. Pursuant to the contract, the Buyer will pay the price in four installments: 1<sup>st</sup> payment equal to SR 37.4 Million to be paid upon signing the contract, 2<sup>nd</sup> payment after one year from the date of signing the contract and the 3<sup>rd</sup> & 4<sup>th</sup> installments to be paid after one year from the preceded installments. The Group will recognize as a result of this transaction a net capital gain of around SR 76 Million, which will be reflected in the 4th quarter 2011 financial results.

It's worth mentioning that the sale price for the three transactions above were based on the market value, in accordance with the prior evaluations and the purchase offers received in this regard. This transaction is aligned with Savola's strategy of focusing on the core businesses (Foods, Retail and Plastic) and the gradual exit from the non-core businesses while maintaining its investments in the real estate business through Kinan International Company. Since the deal is done with related party (Related party transaction), it will need Savola shareholders approval at an Ordinary General Assembly according to the related regulations. The Group will update the market about any material & major developments occurred in this regard.

## Savola Plastics Sector Achieves Historic Revenues of SR 1 Billion in 2011

Eng. Azhar Kenji, CEO of SPC in The Savola Group said that the plastics sector in the framework of its expansion strategy aims to obtain a greater share of plastic products in Saudi Arabian market. The increasing in the export share has been able, through the year 2011, to produce about 114 metric tons and realize the value of sales exceeding SR 1 Billion, which was the result of great effort made by all employees across the operating company.

Savola Plastics, which is a leading entity in PET, exports to more than fifteen countries across the globe. The company supplies pre-forms, containers, closures and films for water and soft drinks, edible oil, health and personal care products, cleaning materials, lubricants, retail and other sectors. The Plastics sector has expanded

its product range with the introduction of various sizes of pre-forms and high-quality printed bags (in eight colors) for certain multinational companies. The sector also developed the capability to enter into certain new segments of products.

During 4<sup>th</sup> quarter 2011, Savola Plastic Company has participated in the Saudi Plastics & Petrochem



H.E. Dr. Tawfiq Al-Rabea, Minister of Commerce and Industry Receives by Eng. Azhar Kenji - CEO's Plastic and Sector Executives Teams

exhibition which was held on November 28 2011 at Riyadh International Convention & Exhibitions Center. The delegation was headed by Eng. Azhar Kenji - CEO of the sector. The Savola Plastic Company manages and operates six facilities having one in Jeddah, three in Riyadh and two in Alexandria (Egypt).



## The Savola Foods Company Increases its Share Capital from SR 500 Million to SR 2.2 Billion

**The** Savola Group announced that its board has approved, in its meeting held on 26<sup>th</sup> December 2011, the recommendation of Savola Foods company Board of Directors to increase the capital of SFC (a Limited Liability Company owned 90% by The Savola Group and 10% by Al-Muhaidib Group) from SR. 500 Million to SR. 2.2 Billion, an increase of 340% through self-financing via its shareholders inter-company account. Thus the number of shares will be increased from 500,000 shares to 2,200,000 shares. This capital increase is to match the value of investments, assets and future strategic expansion plan of Savola Foods Company locally and regionally. The new shares will be prorated between the shareholders as per their current shareholding.



**Mr. Abderrahim Maaraf**  
CEO - Savola Foods Co.

Dr. Abdulraouf M. Mannaa, Group Managing Director, confirmed that the said recommendation will be presented to the Shareholders General Assembly of Savola Foods Co. for ratification and afterwards, obtain the official approvals from the concerned authorities and complete the required procedures pertaining to the this capital increase in accordance with the applicable laws and regulations.

Also, Mr. Abderrahim Maaraf,

CEO of SFC, indicated that SFC runs The Group's operations in Savola Foods, which includes; edible oils, sugar and pasta inside and outside the Kingdom of Saudi Arabia. These operations extend to several countries in the Middle East territory, North Africa, and Central Asia, where Savola Foods sells and exports its high quality products of edible oils, ghee, and sugar to more than 30 countries around the world.

## Savola Acquires the Remaining 22% Ownership Stake

### in Al-Malika & Al-Farasha, Egyptian Companies Specializing in Pasta

**With** reference to The Savola Group's announcement in Tadawul on 18<sup>th</sup> Oct. 2011 regarding the acquisition of 78% ownership stake in Al-Malika & Al-Farasha, Egyptians companies specializing in Pasta through its subsidiary Savola Foods Company (90% owned by Savola) at a price of Egyptian Pound 556.5 Million.

The Savola Group announced that its Board of Directors, ratified, in its meeting held on 26<sup>th</sup> December 2011 the resolution of the Board of Savola Foods Company (one of The Groups operating companies) to acquire the remaining 22% ownership stake in Al-Malika & Al-Farasha, Egyptians companies specializing in Pasta at price of 156.9 Million Egyptian Pound. By acquiring this remain-



ing stake, Savola Foods ownership will reach to 100% and the total acquisition value of both companies will be 713.5 Million Egyptian Pound.

In this connection, Dr. Abdulraouf M. Mannaa, Managing Director of The Savola Group, highlighted that this transaction will strengthen the Savola strategy to focus on its Foods, Retail & Plastics businesses. Furthermore, it will also provided a good opportunity to integrate the existing operations efforts in both Edible oils and Sugar business in Egypt (through its subsidiaries Afia International Company and United Sugar Company). This will result in value addition through the optimal use of Savola's existing distribution network in Egypt, which will positively affect its consolidated revenue and profitability.

## Savola Turkey Successfully Launches New Yudum Brand Olive Oil

**In** the Turkish market, Yudum Olive Oil portfolio was launched, extending the company leading Yudum brand into the olive oil category. Targeting the "new generation women", this product was positioned as "the Olive Oil that brings the health and taste of olive oil with Yudum lightness". The portfolio includes pure and extra virgin olive

oil types in plastic and tin packages. The launch was supported with strong marketing investment and a successful TV campaign. Sustained tasting and sampling activities were backed by in-store combo packs, cross promotions and point of purchase materials and displays.

During 2011, Yudum Olive Oil sales volume exceeded 5,000 tons and Yudum Olive Oil exited the year as a number 2 brand with 14.9% market share in Turkish market.



## Year 2011 A Turnaround for United Sugar Company of Egypt

**2011** is the year of expected and unexpected challenges for USCE, yet a major turnaround in its history. Although the sales volume remaining the same 600,000 tons as last year 2010, net revenues for 2011 reached SR 1.8 Billion with an increase of 17% compared with last year, the company reported a net profit of SR 3.5 Million for the year, compared to a loss of SR 106 Million generated in 2010.

The major cause for the turnaround to profits was attributed to the decrease in the international raw sugar

market, cost optimization, and macro management which led to avoid the extra rolling cost and the liquidation of options in year 2011& 2012 to avoid the sharp fluctuation in international sugar prices. During the second half of the year the company revised its strategy and started to be flexible in switching between export and local markets which ended in almost 50:50 for total year volume.

2011 was not just a year of routing challenges but going further to deploy the platform more profitable years to come.



## SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

### Interim consolidated balance sheet

(All amounts in Saudi Riyals thousands unless otherwise stated)

As at December 31, 2011

	December 31,	
	2011	2010
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,228,021	532,898
Accounts receivable	1,635,781	1,502,934
Inventories	3,160,888	2,527,070
Prepayments and other receivables	1,264,838	1,155,910
Assets classified as held for sale	167,652	191,831
	7,457,180	5,910,643
<b>Non-current assets</b>		
Long term receivables	308,678	-
Investments	5,803,774	6,107,255
Intangible assets	1,341,477	1,024,821
Property, plant and equipment	5,266,381	4,739,217
	12,720,310	11,871,293
<b>Total assets</b>	<b>20,177,490</b>	<b>17,781,936</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term borrowings	2,765,625	2,069,534
Current maturity of long-term borrowings	644,389	709,257
Accounts payable	2,492,299	2,075,574
Accrued and other liabilities	1,562,804	1,549,864
Liabilities classified as held for sale	181,111	200,350
	7,646,228	6,604,579
<b>Non-current liabilities</b>		
Deferred gain	103,060	111,630
Long-term payables	181,180	179,946
Long-term borrowings	2,851,525	2,394,807
Employee termination benefits	306,570	276,106
	3,442,335	2,962,489
<b>Total liabilities</b>	<b>11,088,563</b>	<b>9,567,068</b>
<b>Equity</b>		
Equity attributable to shareholders of the Company:		
Share capital	5,000,000	5,000,000
Statutory reserve	956,772	956,772
General reserve	4,000	4,000
Fair value reserve	(21,521)	(90,112)
Effect of acquisition transaction with minority shareholders without change in control	(59,443)	(45,637)
Currency translation differences	(279,755)	(230,426)
Retained earnings	2,125,616	1,425,440
<b>Total shareholders' equity</b>	<b>7,725,669</b>	<b>7,020,037</b>
<b>Minority interest</b>	<b>1,363,258</b>	<b>1,194,831</b>
<b>Total equity</b>	<b>9,088,927</b>	<b>8,214,868</b>
<b>Total liabilities and equity</b>	<b>20,177,490</b>	<b>17,781,936</b>

### Savola major shareholders list who owns 5% or more from the company shares as of 24th January 2012

Ser.	Shareholders name	Ownership Percentage*
1.	Masik Holding Company	12.0 %
2.	General Organization for Social Insurance	10.9 %
3.	Abdullah Mohammed Al-Rabe'ah	8.7 %
4.	Abdulgadir Al-Muhaidib & Sons Company	8.5 %

\* 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,

### Notes:

1-The above percentage is updated according to Tadawul register as of 24th January 2012 and may change from time to time based on the trading movement in the Savola Group shares in the stock market.

2- To Review the detailed accounts for this quarter and the previous quarter's, please visit Savola web site: ([www.savola.com](http://www.savola.com)) Or Tadawul website: ([www.tadawul.com.sa](http://www.tadawul.com.sa))

3- These results were also published within the statutory period as required by regulations in the following newspapers:

- Al-Riyadh Newspaper Issue No (15918) dated 23rd January 2012.
- Al-Madina Newspaper Issue No (17807) dated 24th January 2012.



## SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

### Interim consolidated income statement

(All amounts in Saudi Riyals thousands unless otherwise stated)

For the Three-month & year periods, ended December 31, 2011

	Three-month period ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	6,550,562	5,725,100	25,321,511	21,029,472
Cost of sales	(5,386,118)	(4,730,356)	(21,348,894)	(17,614,233)
<b>Gross profit</b>	<b>1,164,444</b>	<b>994,744</b>	<b>3,972,617</b>	<b>3,415,239</b>
Share in net income of associates and jointly controlled entity and dividend income - net	96,800	108,861	438,066	459,522
Other income - net	36,104	2,378	101,797	97,340
<b>Total income</b>	<b>1,297,348</b>	<b>1,105,983</b>	<b>4,512,480</b>	<b>3,972,101</b>
<b>Operating expenses</b>				
Selling and marketing	(545,700)	(479,443)	(2,147,670)	(1,870,153)
General and administrative	(164,128)	(183,777)	(575,347)	(603,138)
<b>Total expenses</b>	<b>(709,828)</b>	<b>(663,220)</b>	<b>(2,723,017)</b>	<b>(2,473,291)</b>
Income from operations	587,520	442,763	1,789,463	1,498,810
<b>Other income (expenses)</b>				
Gain on disposal of investments	152,781	-	152,781	195,055
Impairment loss and costs of projects written off	(24,210)	(283,716)	(24,210)	(283,716)
Financial charges	(69,806)	(74,824)	(321,857)	(244,260)
Income before zakat and foreign taxes and minority interests	646,285	84,223	1,596,177	1,165,889
Zakat and foreign income tax	(43,870)	(61,553)	(126,918)	(140,146)
<b>Net income before minority interests</b>	<b>602,415</b>	<b>22,670</b>	<b>1,469,259</b>	<b>1,025,743</b>
Share of minority interests in the net income of consolidated subsidiaries	(103,821)	(20,652)	(266,883)	(139,041)
<b>Net income for the period</b>	<b>498,594</b>	<b>2,018</b>	<b>1,202,376</b>	<b>886,702</b>
<b>Earnings per share:</b>				
Operating income	1.17	0.89	3.58	3.00
Net income for the period	1.00	0.00	2.40	1.77

## SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

### Interim consolidated cash flow statement

(All amounts in Saudi Riyals thousands unless otherwise stated)

Year ended December 31,

	2011	2010
	(Unaudited)	(Audited)
<b>Cash flow from operating activities</b>		
Net income for the year	1,202,376	886,702
<b>Adjustments for non-cash items</b>		
Depreciation, amortisation and impairment	568,750	812,791
Income applicable to minority interest	266,883	139,041
Financial charges – net	321,857	244,260
Gain from disposal of investments	(152,781)	(195,055)
Gain on sale of property, plant and equipment	(12,617)	(3,075)
<b>Changes in working capital</b>		
Accounts receivable	(125,876)	(146,215)
Inventories	(601,000)	(361,006)
Prepayments and other receivables	(25,224)	(141,392)
Accounts payable	332,431	291,063
Accrued and other liabilities	98,495	220,321
Employee termination benefits	30,464	33,820
Net cash generated from operating activities	1,903,758	1,781,255
<b>Cash flow from investing activities</b>		
Cash effect of deconsolidation of an associate	-	(20,062)
Purchase of property, plant and equipment	(452,642)	(478,285)
Net change in investments	(615,346)	(497,256)
Net change in intangible assets	(12,751)	(143,511)
Net cash utilized in investing activities	(1,080,739)	(1,139,114)
<b>Cash flow from financing activities</b>		
Net change in short-term borrowings	654,882	(157,647)
Net change in long-term borrowings	142,721	330,912
Changes in minority interest	(103,312)	(416,478)
Financial charges – net	(321,857)	(244,260)
Dividends paid	(500,330)	(622,955)
Net cash utilized in financing activities	(127,896)	(1,110,428)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>695,123</b>	<b>(468,287)</b>
Cash and cash equivalents at beginning of year	532,898	1,001,185
<b>Cash and cash equivalents at end of year</b>	<b>1,228,021</b>	<b>532,898</b>
<b>Supplemental schedule of non-cash information</b>		
Fair value reserve	68,591	(68,511)
Currency translation differences	(49,329)	(36,575)
Directors' remuneration	2,200	2,200
Assets classified as held for sale	167,652	191,831
Liabilities classified as held for sale	181,111	200,350
Net assets acquired on subsidiaries acquired	122,562	-



## Azizia Panda United Celebrates its 33rd Anniversary, and Increases its Total Stores to 131 Kingdom Wide



**Muwaffaq Jamal**  
CEO - Azizia Panda  
United Co.

In line with Panda's strategic expansions plans, Mr. Muwaffaq Jamal – CEO of APU, stated that "Panda has recently opened three stores (Super & Hypermarket) in Jeddah, Hail, and Riyadh. These openings raised the total number of stores to 131 across the Kingdom. The new stores are distinct with unique designs, caring for customers and providing fresh products with high quality at very competitive prices, which have been designed mainly to suit families needs in different categories, especially in daily

**Azizia** Panda United (APU) - a Subsidiary of the Savola Group - celebrates its 33<sup>rd</sup> anniversary in all its stores (Panda & Hyper Panda) which reached 131 stores Kingdom wide. During the ceremony, Panda introduced many free awards and special offers to its customers for their loyalty and support. The ceremony included the biggest promotional offers that have been introduced by Panda to its customers, in addition to lucky draws that associated with the campaign. The cost of this promotional campaign exceeded SR 9 Million which aimed at rewarding Panda and Hyper Panda customers for their loyalty and trust.



consumed products, complementary & luxurious products in Panda Supermarkets & Hypermarkets. These new openings come in line with the company's ambitious expansion plan which is targeting to raise its current stores across the Kingdom to 200 within the coming three years.

## Savola Continues Updating Share Monitoring System "Transparency Screen"

**In** a move designed to further boost transparency, Savola has continued to update the Share Monitoring System, dubbed "The Transparency Screen". This system tracks and displays changes in shareholding of major shareholders. Categories covered by the system now include: Board Members, Senior Executives, Major Shareholders, Investment Funds and Government Share. The system is open and can be accessed through the Savola Website:

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

Change in Top 10 Shareholders Ownership (No. of Shares in Thousands)



The system is now being regularly updated to reflect the movement in major share ownership in order to entrench transparency and to facilitate the task for parties interested in Savola share tracking.

Below you will find the charts depicting share ownership movement for the period (from **January to December, 2011**).

Note the Company's capital is fixed at S.R. 5 billion divided into 500 million ordinary cash shares and the company total shareholders are about 160,000.

Change in Board Members Ownership (No. of Shares in Thousands)



Change in Executives Ownership (No. of Shares in Thousands)



Change in Top 90 Shareholders Ownership "after Top 10" (No. of Shares in Thousands)



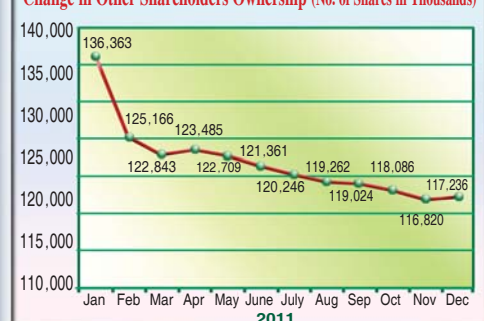
Change in Government Ownership (No. of Shares in Thousands)



Change in Investment Funds Ownership (No. of Shares in Thousands)



Change in Other Shareholders Ownership (No. of Shares in Thousands)





## Al Marai Achieves Net Income of SR 1.2 Billion For The Year 2011

**Al Marai** Company (29.9% owned by The Savola Group) achieved respectable results during the 4<sup>th</sup> quarter 2011 and generated an interim consolidated net income amounting to SR 285.5 Million, an increase of 0.6%, compared to the same period last year (SR 283.8 Million) bringing its consolidated net income for the whole year 2011 to SR 1.29 Billion, an increase of 1.1% compared to the last year (SR 1.28 Billion). The company Sales for the 4<sup>th</sup> quarter ended 31<sup>st</sup> December 2011 amounted to SR 2.09 Billion, an increase of 16.1% compared to the same period last year (SR 1.79 Billion) bringing its total Sales for the whole year ended 31 December 2011 to SR 7.95 Billion, an increase of 14.7% compared to the same period last year (SR 6.93 Billion).



On other side Al Marai Board of Directors approved the recommendation to pay a dividend for fiscal year ended 31<sup>st</sup> December 2011 of totaling SR 517.5 Million (SR 2.25 per share).

### Recommendation to Increase Al Marai Share Capital:

Also, the Al Marai Board recommended increasing the share capital from SR 2.3

Billion to SR 4 Billion through the distribution of one bonus share for each outstanding 1.739 shares (an increase of 73.9%). This will be financed through the company reserves. This increase in the share capital subject to obtaining the formal approval from the related government Authorities & Extraordinary General Assembly Meeting which will be held on 2<sup>nd</sup> April 2012 according to the regulation

## Herfy Food Services Company Achieves Net Profit of SR146.6 Million for the Year 2011

**Herfy** Food Services Company (49% owned by The Savola Group (direct and indirect) achieved outstanding performance during the 4<sup>th</sup> quarter 2011. Its net income for the 4<sup>th</sup> quarter jumped to SR40.3 Million compared to SR33.1 Million during the same quarter from the previous year, with an increase of 21.8%, bringing its total net profit for the whole year 2011 to SR146.6 Million. Also, Herfy achieved sales for 2011 of SR708.6 million compared to SR579.9 Million for the last year with an increase of 22.2%.

Herfy Opens 20 New Restaurants during the Year 2011, bringing its Total outlets to 188



The above positive results for the 4<sup>th</sup> quarter and the twelve months of 2011 are due to the increase in sales as well as in the operating efficiency of the company's different sectors in addition to the new restaurants openings, where the company has opened 20 new res-

taurants during the year 2011, bringing the total number operating restaurants to 188 branches. In addition this, the company opened the first branch of Herfy Cafe & Grill during the 4<sup>th</sup> quarter as a new business enhancing its existent ones (Restaurants, Meets, Pastry & Bakery).

## Developing a Full Fledged Strategy to Support Artisans and Handicrafts Industry

### The Savola Selects Jordan River Foundation (JRF) to Study the development of the Handicrafts Center in Saudi Arabia



Dr. Ghassan Ahmed Al-Sulaiman,  
Chairman of Corporate Social  
Responsibility Committee



مجموعة صافولا  
The Savola Group

**The** Savola Group has joined hands with the Jordan River Foundation (JRF) as strategic partner to study the development of the Handicrafts Center in Saudi Arabia, as part of The Group's CSR initiatives. This decision came after an in-depth search of specialized companies across the region to deliver the program. Based on the agreement, JRF will prepare a fully-fledged study for the project including field studies and programs to identify the needs of the Project as well as developing the idea model for the Project.



مؤسسة نهر الأردن  
JORDAN RIVER FOUNDATION

The study, which will run for four months, will include a series of workshops and meeting with various stakeholders in addition to specialized workshops with internal stakeholders within the Group. An initial workshop was held in Amman that was attended by Savola and JRF team members to activate the study and finalize the implementation plan.

Upon signing the agreement, Dr. Ghassan Ahmed Al-Sulaiman, Chairman of Corporate Social Responsibility Committee said, "Jordan River Foundation has been selected for two main reasons: one for its experience and track record in developing sustainable programs in Jordan which were clearly exemplified through numerous initiatives to develop the handicrafts industry and the artisans. The other main reason includes the cultural similarities between both Jordan and Saudi Arabia making JRF an ideal choice for us; add to that, the competitive offer submitted by the foundation compared to the other countries.

Dr. Al Sulaiman added, "We are looking forward to working with JRF through this strategic partnership and we are equally looking forward to the results of the Study which will pave a clear path to launch the program. Dr. Al Sulaiman also added that the Project is an extension of Savola's CSR programs."

Ms. Valentina Qussisiya, Director General of Jordan River Foundation expressed her delight with this partnership appreciating Savola Group's trust in JRF to implement the project,

highlighting Savola's clear efforts when it comes to social responsibility programs and sustainable development. Qussisiya underscored Savola's global recognition in various specialized industries assuring that this partnership will add more value to the Foundation.

She added, "This is not our first experience with a Saudi companies and organizations. Jordan River Foundation has been quite active with various Saudi enterprises working on various developmental, social, and



Handcraft development programs as well as other sectors and initiatives. JRF, through this partnership with Savola, aims to build a sustainable cooperation between both organizations."

Savola's commitment to social responsibility is clearly reflected in its Bridges which honor its commitment to corporate citizenship. The Company has created innovative, long-term programs where The Group's experience and expertise serve the needs of the community by helping people to become more confident and more self productive.



Savola CSR & JRF teams after signing the agreement



## Graduation Ceremony for the 2nd Batch of Makeen Graduates



The Group Managing Director and the Chief of Corporate Affairs honoring the Makeen 2nd batch graduates



Faten A. Al Yafi  
Executive Director for CSR,  
PR & Corporate Services

In continuation with its strategic objective towards serving the community which entails training and employing persons with disabilities, Savola Group celebrated the graduation of 18 graduates with physical disabilities in preparation for them to embark on their new careers providing by Savola at their various sectors. This new batch will join their fellow graduates from the first batch that have completed the program in July 2010.



Dr. Abdullaouf Mannaa, Group Managing Director Addresses the graduation ceremony

The event, held in Roshan Mall, which was attended by key executives from the Savola Group in addition to key executives from the private and public sectors as well as representatives from the training institutes cooperating with Savola's Center for Empowering Persons with Disabilities (Makeen).

Dr. Abdullaouf Mannaa, Group Managing Director, explained that Savola's Center for Empowering Persons with Disabilities (Makeen) is the cornerstone of Savola's Corporate Social Responsibility programs. Makeen's strategic importance is to achieve a series of humanitarian, social, and economic objectives by supporting this very important segment of the society enabling them to develop themselves and become a productive members of the community. Dr. Mannaa added, "Not being able to achieve these objectives and realize ambitions is a disability in itself, however we are here to achieve our objectives in corporate social responsibility through Makeen Center as well as

achieve key ambitions of this very valued segment in the Saudi Community" He added, "The graduation of this batch comes as an important step for Savola towards sustainability and continuity to support this important segment of our society."

Makeen's program does not only provide employment for persons with disabilities within the Savola Group companies only, however the program expanded its reach to cover other private sector organizations. According to Mrs. Faten A. Al Yafi, Executive Director for CSR, PR & Corporate Services, explained the journey of Savola's Makeen program through a short documentary telling the story of the Center and the pilot program.

Al Yafi added that collaborating with specialized training institutions allowed the program administrators to design various training courses and programs that are compatible with the job requirements at Savola, which created an opportunity for the

trainees to focus on the most important skills and capabilities required. Al Yafi also explained that these new graduates will be continuously assessed during their job in cooperation with the HR Departments within the Savola Group providing them with all the proper working conditions and tools to continue in their jobs and become fully integrated in the work environment. More efforts are underway to take on more candidates as part of the Makeen program to train and employ persons with disabilities for the current year and 2012.

Speaking on behalf of the graduates, Abdullah Al Zahrani expressed his appreciation and gratitude to The Savola Group which provided this valuable opportunity for him and his colleagues to prove to everyone their capabilities, skills, and achievements. He pointed, "Savola's role did not stop at training only, and it went on to finding jobs for us and placing us within The Group and in other private companies willing to hire us".

## Scientific Methodology to Implement Mentor & Buddy System across The Group Operating Companies

### Savola employees from HR, Finance, IT & Production Departments Took Part in the International Training Program to Train Persons with Disabilities

In supporting its strategy to support persons with disabilities through training and employment in accordance to scientific criteria and clear methodologies in its various sectors, Savola, through its Makeen Center Savola's CSR program to train and employ persons with disabilities, sent selected staff from HR, Finance, IT & Production departments across its various sectors to Amsterdam (Netherlands) to take part in a specialized training program titled "The Concept and Implementation of the Mentor and Buddy System in the Human Resources Department." The training program which took place in Amsterdam, was facilitated by leading international trainers specialized in the field of training persons with disabilities and supervised Mr. Leo Kooyman, a leading International consultant in the same field and Mrs. Faten Al Yafi, Executive Director – CSR, PR & Corporate Services.

In the "Buddy and Mentor" system, the mentor plays a vital role by linking the employee with special needs with the various departments within the organization such as HR, Finance, etc and through this role, the mentor provides moral support to the new employee ensuring that he is fully integrated within the organization. On the other hand, the buddy represents the key link between the employee and the department where he works. The buddy is tasked with providing support and advice when it comes to the actual work as well providing moral support and ensuring that the new employee is fully integrated in the work and culture of the organization.

Practical training sessions on how to deal with the disabled in the workplace:

The training program included a series of segments the most important was identifying disabilities and how to deal with those with disabilities in the workplace. In addition to



that, the program featured the "Buddy and Mentor" system and the implementation mechanism and a detailed explanation and mapping of the responsibilities of the mentor and buddy and the method for their selection. Other segments entailed reinforcing the various theoretical aspects using a practical approach by visiting various specialized institutes and centers specialized in training and employing persons with disabilities.

Participants got a firsthand look at these models which positively impact employee Performance, raise efficiencies, and at the same time contribute directly to raise productivity in the workplace and enhance self esteem and achieve harmony amongst coworkers.

Mrs. Faten Al Yafi, Executive Director for CSR, PR & Corporate Services said, "By organizing these training programs for the human resource managers, Savola aims at reinforcing their skills to effectively integrate the persons with disabili-

ties in the workplace as part of the Makeen initiative." She added "This is the second edition of the program organized by the Group in the Netherlands which has one of the best models to train and employ persons with disabilities.

"Practicing the special needs situation gave me the feeling how we can destroy those with special needs if they are placed in the wrong job. By taking a closer look at the Netherlands experience and how they contain and utilize special needs has made me realize that we need to think outside the box and create the right tasks for them to perform and excel in their career," said Khalaf Al Matrafi one of the program participants from Panda in the Eastern Province.

Participating in the training course were Majed Badghaish and Marwan Ghurab from United Sugar Company; Liwa Tawfiq from Savola Packaging Company; Khalaf Al Matrafi from Panda; Khalid Ajlan from Afia International, Khalid Al-Kulaibi and Hana Sharaf from Finance, and Bandar Agu from SSIS; Ruba Anbari and Nouf Halawani from Makeen Center.

#### Savola News letter

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