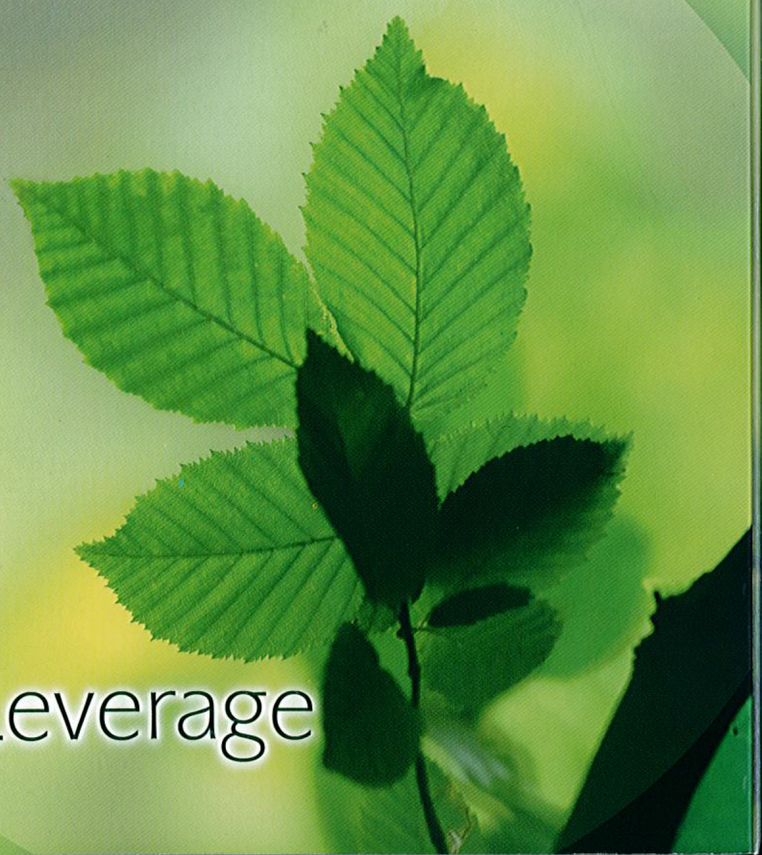
The Savola Group

Annual Report 2008



Focus & Leverage

The Savola Group Annual Report

This is the Annual Report for the fiscal year that ended December 31, 2008.

This Annual Report has been submitted to and approved by The Savola Group Shareholders Assembly at its 32nd Ordinary Annual General Meeting (AGM) held on April 18, 2009 (corresponding to 22/4/1430H), in Jeddah, Saudi Arabia

Contents

Contents

A Word from the Chairman

Dear Esteemed Shareholders,

It gives me great pleasure to present to you The Savola Group Annual Report for the year ended December 31, 2008.

2008 was a year of major challenges resulting from the global financial crisis, coupled with the consequent sharp collapse in commodity prices and equity markets. The effect of the crisis necessitated the write-down of inventories in the Foods sector and impairment provisioning against our investment portfolio.

Despite the downturn in the markets, I am pleased to inform you that The Group launched a number of promising new expansion projects within its current geographical footprint and will push beyond. These projects will strengthen Savola leadership positions in its core businesses—the Savola Group sector of Foods [including edible oil and sugar], Retail, Real Estate and Plastic.

Major capital expansion projects were completed in existing operations during 2008. These were designed to increase production capacities and generate economies of scale both within and outside the Kingdom. Among the 2008 successes were the post-merger integration of the newly acquisitioned Turkish edible oil operation. Other milestones were the commissioning of the new cane sugar refinery in Egypt and the new edible oils refinery in Algeria as well as the commencement of construction on a beet sugar refinery in Egypt. In addition, the Savola Retail business opened a number of new Panda stores in Saudi Arabia, and the post-merger Giant Stores business was integrated into Panda.

Looking forward, The Group will continue its strategy of focus on core businesses in 2009, and will leverage from its competencies and strategic assets. It will strengthen its leadership positions by exploiting investment opportunities in its core sectors in the region.

The Group plans to achieve a net profit of SR 800 million for 2009, excluding any potential capital gains realized during the year. We will continue our drive to maximize shareholder value and distribute cash dividends and will continue the policy of distributing 10% of The Group's share capital per year as dividends in 2009.

I am pleased to report that The Group won a number of local and international awards and accolades during the year. The Savola Packaging Systems Company was awarded the King Abdul Aziz Quality Award in 2008, which is granted to organizations achieving the highest levels of quality. The committee supervising this award is chaired by His Excellency the Minister of Industry & Commerce, Chairman of Saudi Arabian Standards Organization (SASO) and is sponsored by HRH Prince Sultan Bin Abdul Aziz, the Crown Prince, Deputy Prime Minister, Minister of Defence and Inspector General. In addition, The Group won the "Best Workplace" award from the International Institute of Research (IIR) in Dubai.

The Group makes extensive efforts to promote transparency, integrity, fairness and accountability standards in corporate governance. I am pleased that The Group ranks as the top Saudi company in corporate governance and as the 14th best "Listed Company" in the Gulf Countries. This respected study of 581 GCC-listed companies measured commitment to corporate governance, conducted by Hawkamah Institute for Corporate Governance (Dubai-based non-profit), in collaboration with The National Investors (TNI). In addition, The Group was selected for the Golden category for the Sa'afa Good Governance Transparency Award, along with the Islamic Development Bank and Saudi Communication & Information Technology Commission (CITC). This Award was launched in 2008 under the patronage of HRH Prince Salman Bin Abdul Aziz.

Finally, I would like to take this opportunity to sincerely thank the Custodian of the Two Holy Mosques, the Government of the Kingdom of Saudi Arabia and you, our esteemed shareholders, for your continued and unwavering support and confidence.

With best regards

Fakeih

Adel M. Fakeih
Chairman, Board of Directors

A Word from the Managing Director

Dear Esteemed Shareholders,

The Group closed 2008 with a net profit of SR 202 million on a substantial 33% increase in turnover over 2007.

This was a sharp decline in profitability from the SR 1.23 billion achieved in 2007. Profitability suffered from two main contributing factors: first, the sharp collapse of the world commodity prices, followed by the second, the decline of equity markets. Both resulted from the financial crises that arose during the second half of 2008. The collapse in commodity prices completely offset the first nine months of profits by the Foods sector—SR 253 million generated in the first three quarters.

The Group made total provisions of SR 676 million for the year, including impairment provisioning of SR 474 million against investments as a result of the crises. The Group reported income from operations of SR 673 million after charging inventory mark-to-market losses of SR 242 million, compared to SR 733 million in 2007.

In spite of generating a substantial 33% increase in turnover over 2007, The Group closed 2008 with a net profit of SR 202 million, compared with SR 1.23 billion achieved in the previous year. The sharp decline in profitability was a result of two main contributing factors: first, the sharp collapse of the world commodity prices, followed by the second, the decline of equity markets. Both resulted from the financial crises that arose during the second half of 2008. The collapse in commodity prices completely offset the first nine months of profits by the Foods sector—SR 253 million generated in the first three quarters. The Group made total provisions of SR 676 million for the year, including impairment provisioning of SR 474 million against investments as a result of the crises. The Group reported income from operations of SR 673 million after charging inventory mark to market losses of SR 242 million, compared to SR 733 million in 2007.

The decision to make these provisions is in-line with Savola's long-established promotion of sound governance, transparency and prudent accounting standards throughout the region. It allows The Group to make robust financial decisions going forward, without having to look back at the effect of 2008. These prudent decisions will now enable The Group to strengthen its market leadership positions and achieve its targeted 2009 net income of SR 800 million.

The road ahead is going to be challenging but with the help of Almighty God we will deliver a net profit of SR 800 million in 2009.

The Group announced dividends of SR 125 million for the fourth quarter, resulting in a total dividend payout of SR 500 million for the full year 2008.

We expect The Group will endure the crisis and emerge even stronger. While we believe that the current financial crisis will pose difficult challenges and create risks, it will also present The Group with a number of strategic opportunities to create value in our core businesses. We will continue to hold and grow our leadership positions in our core sectors through strategic investments and organic growth.

Finally, I would like to extend my sincere thanks to all of our esteemed shareholders for your continued support and trust in your Group. I also extend my sincere thanks and appreciation for the dedication and tireless efforts of the Board of Directors, the management team and all employees inside and outside the Kingdom. We look forward to a brighter and prosperous 2009.

With best wishes,

Sami M. Baroum
Group Managing Director

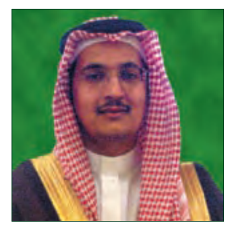
The Savola Group Board of Directors

Eng. Adel M. Fakeih (*Chairman of The Board*)

Mr. Ibrahim M. Al Issa

Mr. Yousef M. Alireza

Dr. Sami M. Baroum (*Managing Director*)



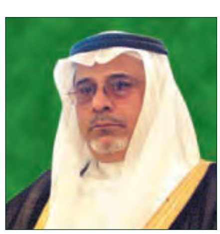
Mr. Mousa O. Al Omran

Eng. Talal I. Al Maiman

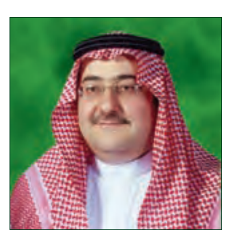
Mr. Mohammad A. Al Fadl

Mr. Abdulaziz K. Al Ghufaily

Dr. Ghassan A. Al Sulaiman



Dr. Abdullah M. Telmesani



Mr. Ammar A. Al Khudairy

Dr. Sami M. Baroum
Managing Director

Dr Mohammad Amin Kashgari
CEO–Retail and Plastics Sectors

Eng. Zouhair Eloudghiri
CEO–Foods Sector

Eng. Nidal Abdulmajeed Jamjoom
CEO–Kinan Int. For Real Estate Development

Dr. Mohammad Amin Jefri
President–Franchising Division

Mr. Abdulrahman S. Basaddiq
Group CFO

Mr. Mahmoud M. Abdul Ghaffar
SVP, Corporate Affairs and Board Secretary

Mr. Nafez Riad Al-Morhabi
Chief Investment Officer

Board of Directors Summary of Operations

Dear Esteemed Shareholders,

The Board of The Savola Group has the honor to present this Annual Report for the fiscal year ended December 31, 2008.

This Annual Report covers the overall performance of The Group, its subsidiaries and associates in all business sectors and areas of activities. This report also includes the Directors Report for the year, together with the Audited Financial Results, the Related Notes, and the Auditors' Report for the fiscal year ended 2008.

The Annual Report has been prepared in line with the requirements of the Capital Market Authority's (CMA) Corporate Governance and Disclosure Standards, as stipulated in Article 27 of the Joint Stock Companies Registration and Listing Rules, and follows the Directors Report Guidelines established by the CMA.

Major highlights

- 33% increase in sales, reaching SR 13.8 billion compared to SR 10.4 billion in 2007
- 6% increase in gross profits, growing from SR 1.7 billion in 2007 to SR 1.8 billion in 2008
- Profits from operations for 2008 amounted to SR 672 million compared to SR 733 million in 2007
- The Group reported a net profit of SR 202 million compared with a net profit of SR 1.23 billion in 2007
- Profits from the Retail Sector grew by 247% last year, reaching SR 177 million in 2008
- Distribution to shareholders of SR 500 million in dividends for 2008, in accordance with The Group's dividend policy
- Strategic expansion of core businesses through the launch of our edible oils refinery in Algeria and sugar refinery in Egypt
- Acquisition and integration of Turkish operations in the Foods sector
- Increased investment in Al Marai Company by an additional 3.4 million shares to increase our holding by 2.7%, reaching 28% by years' end.

Despite the negative impact of the global financial crisis during the second half of 2008, The Group experienced a 33% increase in revenues, growing by over SR 3.3 billion to reach SR 13.8 billion for the year and remains the market leader in local and international arenas.

Growth in revenues, registered in all sectors and in all countries, was adversely impacted by the unprecedented collapse in raw material and commodity prices during the second half of 2008. This led to a sharp decrease in The Group's gross profit margin to 7% during the fourth quarter, compared to historical averages of 16% to 17%.

At the same time, the crisis led to a decrease in the market value of The Group's investment portfolio. Accordingly, The Group made fourth quarter provisioning of SR 434 million against the weakening of investments, in addition to a provision of SR 242 million for raw material and commodity prices collapse. Total provisions of SR 676 million, net of minority interests, were made during the year. This lowered 2008 net income to SR 202 million, compared to SR 1.2 billion reported for 2007. This includes a capital gain exceeding SR 700 million from the sale of The Group's investment in the Egyptian Fertilizer Company.

The Foods sector posted net income of SR 253 million for the first nine months of 2008, based on growth in domestic and international operations. In the fourth quarter the adverse impact of the commodity price collapse resulted in Foods reporting a loss of SR 253 million in the quarter, nearly offsetting all the gains made during the previous nine months. Despite the downturn, revenues grew by over 20% during 2008 to reach SR 7 billion by years' end.

During 2008, the Foods Sector launched a new refinery for edible oils in Algeria and a new refinery for sugar in Egypt. These steps increased the total production capacity for the Foods Sector to 1.7 million MT for edible oils and 2 million MT for sugar annually.

The Foods sector has successfully integrated the Turkish operation acquired at the end of last year. Foods also increased its stake in its Iranian operation to 80% during the second half of the year.

The Retail Sector achieved 42% growth in revenues over last year, surpassing the SR 6 billion mark by years' end. Revenues grew by more than 20% over 2007. The sector now operates 64 supermarkets and 15 hypermarkets. When combined with Herfy, net Retail Sector profits grew strongly to SR 177 million in 2008, up from SR 51 million in 2007.

The Plastics Division continued to grow, generating revenues of SR 775 million, up by 37% over last year. Net profits increased from SR 40 million in 2007 to SR 56 million in 2008.

Although the downturn in real estate markets had an adverse impact on the Real Estate sector, Kinan International was successful in increasing its mall occupancy rates by 9% over last year to reach 89% by the end of December. The company also concluded a number of strategic partnership agreements with key tenants during the year.

a) The Savola Group interim/annual financial performance for the year 2008

SR million	Year 2007	Year 2008	1st Half 2008	Q3 2008	Q4 2008
Foods Sector	156	1	154	99	(252)
Retail Sector (Panda & Herfy)	51	177	72	48	57
Plastics Sector	40	56	19	16	21
Income from strategic investments	156	239	151	75	63
Capital gains (losses)	864	148	171	12	(35)
Provisions and others	(37)	(419)	(9)	(92)	(318)
Net profit (loss)	**1,230**	**202**	**508**	**158**	**(464)**

b) Comparison of results vs. last year (in SR 000's)

Income Statement	2008	2007	Variance + or (-)	Variance %
Revenues—net	13,821,377	10,409,530	3,411,847	32.8%
Cost of revenue	(12,007,054)	(8,705,859)	3,301,195	37.9%
Gross profit	1,814,323	1,703,671	110,652	6.5%
Share of profits (loss) of associates and jointly controlled entity and dividend income—net	376,224	243,753	132,471	54.3%
Other income—net	69,476	82,057	(12,581)	-15.3%
Total income	2,260,023	2,029,481	230,542	11.4%
Selling and Marketing	(1,130,482)	(839,516)	(290,966)	34.7%
General and Administrative	(458,042)	(456,794)	1,248	0.3%
Total expenses	(1,588,524)	(1,296,310)	292,214	22.5%
Income (loss) from operations	671,499	733,171	61,672	-8.4%
Gain (loss) on disposal of investments	147,980	863,982	(716,002)	-82.9%
Impairment of assets & Projects written off	(442,406)	(110,482)	(331,924)	300.4%
Financial charges—net	(153,658)	(33,326)	120,332	361.1%
Income (loss) before Zakat and income tax and minority interests	223,415	1,453,345	(1,229,930)	-84.6%
Zakat and income tax	(53,387)	(115,463)	(62,076)	-53.8%
Net income before minority interests	170,028	1,337,882	(1,167,854)	-87.3%
Share of minority interests in the net income (loss) of consolidated subsidiaries	32,330	(107,858)	140,188	-130.0%
Net income	**202,358**	**1,230,024**	**(1,027,666)**	**-83.5%**

c) Geographical analysis of revenues/sales of The Group and its subsidiaries by product
(in SR 000's)

	Edible Oil Products/Brands	**2008**	**2007**
KSA, Gulf &Yemen	Afia, Alarabi, Olite, Almaida, Shams	1,764,228	1,207,855
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	1,261,191	932,733
Iran	Laden, Aftab, Afiat, Bahar	–	1,208,947
Kazakhstan	Lito, Gloria, Minola	143,101	89,854
Sudan	Alarabi, Shams, Safaa, Al Taeb, Sabah, Sudani	229,825	132,179
Morocco	Afia, Hala,	368,587	269,953
Jordan	Afia, Arabi, Shaza (the factory is closed)	–	66,462
Turkey	The Company has been acquired during 2008 (Yudum & Sirma)	761,111	–
Algeria	The factory launched during the 4th Quarter 2008 (Afia)	30,060	–
Consolidation entry, inter-company sales		(621)	–
Total of Edible Oil Sales		**4,557,482**	**3,907,983**

	Sugar Products Sales	**2008**	**2007**
KSA, GCC and Yemen	Al Osra, Ziadah, Nawaem, Safaa, Nahar	2,117,112	1,857,977
Egypt (USCE)	Al Osra, (Commercial production launched in May 2008)	344,949	–
Total of Sugar Products Sales		**2,462,061**	**1,857,977**

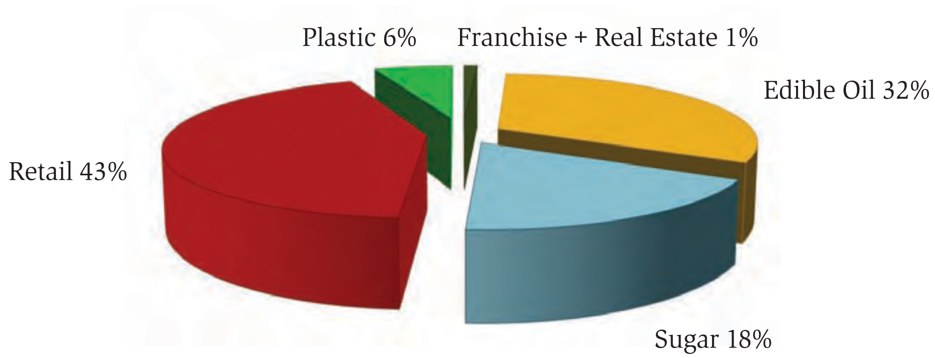
	Plastics Division Sales	**2008**	**2007**
KSA	The plastics division manufactures a wide variety of products as requested by clients	633,995	465,631
Egypt	The plastics division manufactures a wide variety of products as requested by clients	137,448	91,983
Total of Plastic Sales		**771,443**	**557,614**

Retail Division (Panda Markets)		2008	2007
KSA	Panda Supermarkets and Hypermarkets	5,194,744	3,623,982
UAE / Dubai	Hyper Panda (begin in 2006)	350,112	188,543
Lebanon Republic		69.481	–
Herfy sales	Herfy, Herfy Restaurants, Herfy Products	466,464	375,025
Total of Retail Sales		**6,120,031**	**4,200,229**

Real Estate & Franchise		2008	2007
Real estate - KSA	Leasing of malls and centers	39,230	12,679
Franchising Sales - KSA	Bonia , Jacqueline Riu, Yves Rocher, Tom Tailor	37,537	29,367
Total of Real Estate & Franchising Sales		**37,537**	**29.367**

Growth reviews	**13,948,554**	**10,553,170**
Consolidation entry, inter-company sales	(127,177)	(143,640)
Total revenues / sales	**13,821,377**	**10,409,530**

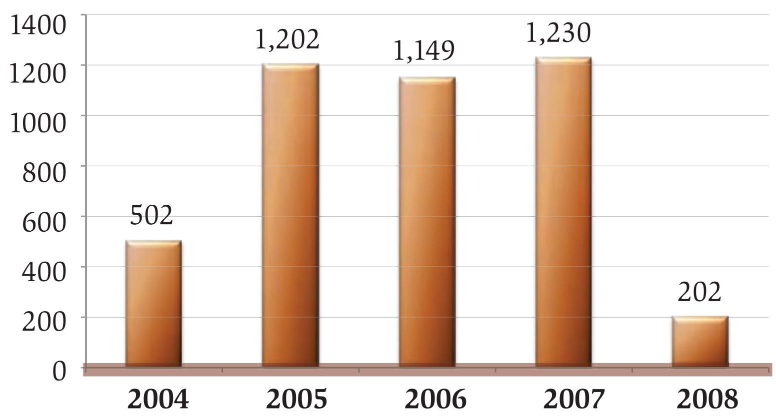
Analysis of revenues/sales of The Group and its subsidiaries by sector (in SR 000's)



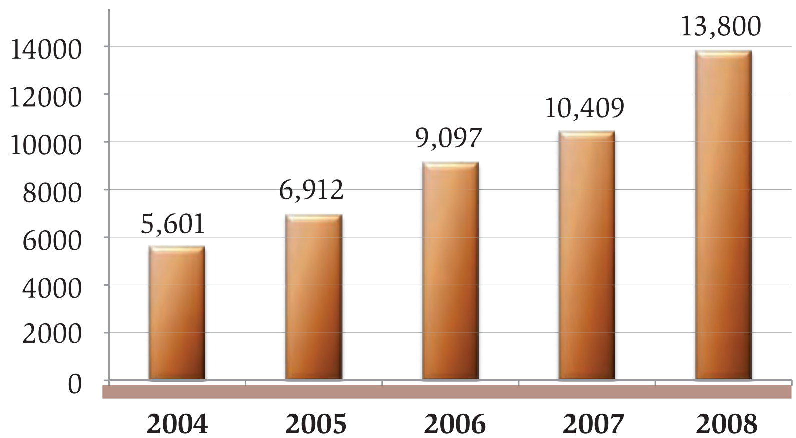
d) Comparison of Income Statements for the previous five years (in SR 000's)

(Saudi Riyals in thousands)	2008	2007	2006	2005	2004
Revenues—net	13,821,377	10,409,530	9,096,687	6,912,030	5,601,979
Cost of sales	(12,007,054)	(8,705,859)	(7,553,330)	(5,700,362)	(4,683,822)
Gross profit	1,814,323	1,703,671	1,543,357	1,211,668	918,157
Share of profits (loss) of associates and jointly controlled entity and dividend income—net	376,224	243,753	181,607	171,707	141,835
Other income—net	69,476	82,057	97,824	57,780	62,558
Total income	2,260,023	2,029,481	1,822,788	1,441,155	1,122,550
Selling and Marketing	(1,130,482)	(839,516)	(719,220)	(553,023)	(453,865)
General and Administrative	(458,042)	(456,794)	(345,166)	(352,869)	(241,724)
Total expenses	**(1,588,524)**	**(1,296,310)**	**(1,064,386)**	**(905,892)**	**(695,589)**
Income (loss) from Operations	671,499	733,171	758,402	535,263	426,961
Gain (loss) on Disposal of Investments	147,980	863,982	659,755	927,157	220,938
Impairment of Assets & Projects Written-off	(442,406)	(110,482)	–	–	–
Financial charges—net	(153,658)	(33,326)	(71,454)	(91,432)	(55,308)
Income (loss) before Zakat and income tax and minority interests	223,415	1,453,345	1,346,703	1,370,988	592,591
Zakat and income tax	(53,387)	(115,463)	(45,677)	(30,780)	(19,174)
Net income before minority interests	170,028	1,337,882	1,301,026	1,340,208	573,417
Share of minority interests in the net income (loss) of consolidated subsidiaries	32,330	(107,858)	(152,438)	(138,034)	(71,043)
Net income	**202,358**	**1,230,024**	**1,148,588**	**1,202,174**	**502,374**

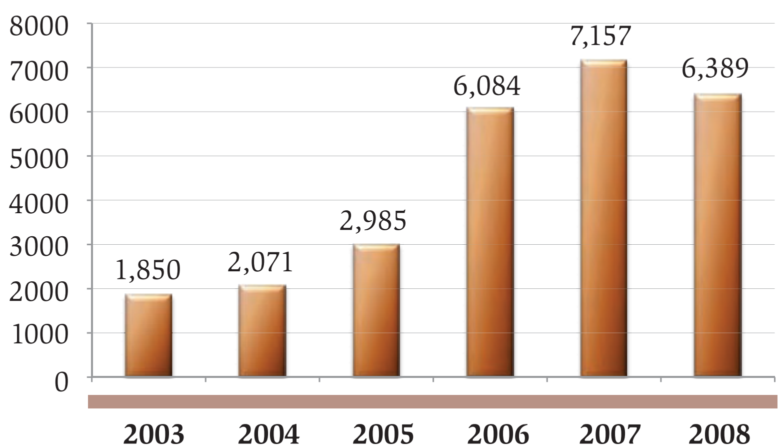
Savola Group Net Profits 2004–2008 (in millions Riyals)



Savola Group Revenues 2004–2008 (in millions Riyals)



Shareholders Equity for the past 6 years (in SR 000's)



e) Comparison of The Group Consolidated Balance Sheet for the previous 5 years (in SR 000's)

Balance Sheet (in thousands Riyals)	2008	2007	2006	2005	2004
Current assets (A)	4,764,430	3,711,339	5,854,016	2,943,605	2,140,573
Current liabilities (B)	6,001,606	3,138,566	3,629,595	3,279,015	2,204,097
Working capital (C=A – B)	(1,237,176)	572,773	2,224,421	(335,410)	(63,524)
Current assets	4,764,430	3,711,339	5,854,016	2,943,605	2,140,573
Other non-current assets	5,525,059	4,364,864	2,436,585	1,256,054	866,380
Property, plant and equipment (fixed assets)	4,250,663	3,513,801	2,984,402	3,917,612	3,187,985
Total assets	14,540,152	11,590,004	11,275,003	8,117,271	6,194,938
Current liabilities	6,001,606	3,138,566	3,629,595	3,279,015	2,204,097
Long-term loans	1,117,136	456,540	560,051	941,652	1,059,274
Other liabilities	284,730	222,221	210,275	250,528	228,314
Total liabilities	7,403,472	3,817,327	4,399,921	4,471,195	3,491,685
Paid-up capital	5,000,000	3,750,000	3,750,000	1,500,000	1,000,000
Retained earnings and reserves	1,389,165	3,406,901	2,333,549	1,485,113	1,070,855
Shareholders' equity	6,389,165	7,156,901	6,083,549	2,985,113	2,070,855
Minority interests	747,515	615,776	791,533	660,963	632,398
Total liabilities and shareholders' equity	**14,540,152**	**11,590,004**	**11,275,003**	**8,117,271**	**6,194,938**

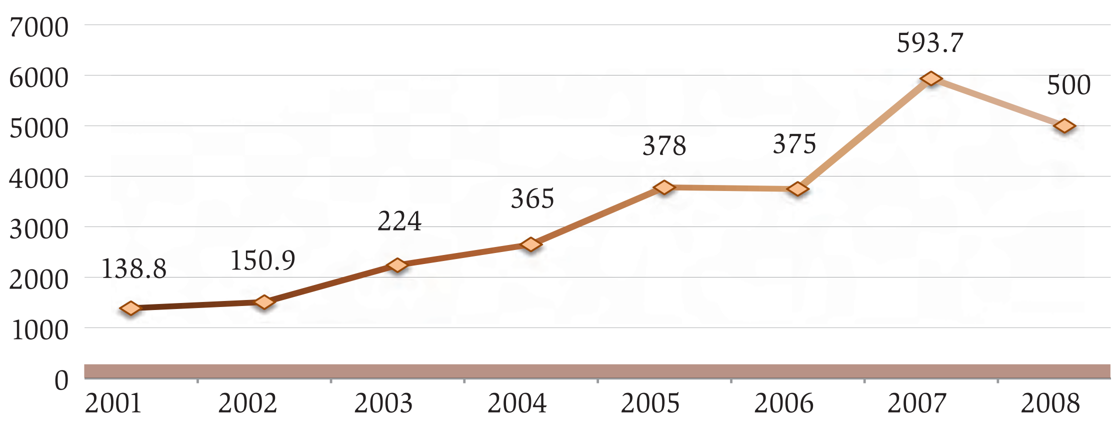
f) Dividends Policy

The Group will continue its Policy to distribute 10% of its share capital to its shareholders per year. It will continue applying this policy during 2009 unless material changes occur with regard to 2009 financial projections. The Group declares quarterly dividends as and when the Board of Directors approves quarterly financial statements. These dividends are distributed immediately thereafter.

Details of cash dividends distributed in 2008

Dividends distributed 2008 details	No. of shares	Amount in SR per share	Dividends distributed for the period (in SR)
1st Quarter 2008	500,000,000	0.25	125,000,000
2nd Quarter 2008	500,000,000	0.25	125,000,000
3rd Quarter 2008	500,000,000	0.25	125,000,000
4th Quarter 2008	500,000,000	0.25	125,000,000
Total cash dividends distributed for the full year 2008			**500,000,000**

Dividend distribution trend 2001 to 2008 (in SR 000's)



Note: The year 2007 dividend amount included additional payment of SR 93.7 million distributed to shareholders due to the capital gain booked as a result of selling The Group stake in the Egyptian Fertilizer Company (EFC).

g) Details of long and short-term loans

The Group has always been keen to adopt Islamic Shari'ah compliant processes in all its financial transactions, especially in relation to its borrowing policies. All loans and deposits within the Kingdom are fully Shari'ah compliant. The following are details of long and short-term loans outstanding as of the end of the year.

g-1) Long-term Loans:

Long-term loans (in thousands Riyals)	Banks / others	2008	2007
Saudi Industrial Development Fund ("SIDF")			
United Sugar Company ("USC")	SIDF	6,125	26,215
Herfy Foods Services	SIDF	13,079	15,079
Savola Packaging Systems ("SPS")	SIDF	12,945	7,050
Total (A)		32,239	48,344
Commercial banks			
The Savola Group	Saudi Fransi	300,000	0
Afia International Co. ("Afia")	AL Rajhi Bank, European, Egyptian & Turkish banks	465,140	86,413
Savola Food Emerging Markets	Moroccan, Sudanese, Algerian & European banks	51,268	52,897
Herfy Foods Services	ANB, NCB	16,875	26,889
United Sugar Company ("USC")	Samba, Commercial Intl Bank of Egypt	382,713	421,750
Savola Packaging Systems	Credit Agricole Bank Egypt	8,540	6,329
Total commercial banks (B)		1,224,536	541,381
Total long-term debt (A+B)		1256,775	589,725
Less current portion:			
SIDF		(11,165)	(24,150)
Commercial banks		(128,476)	(109,035)
Long-term debt		1,117,134	456,540

For more details about these loans, please see financial statement pages following in this report.

g-2) Long-term loan repayment schedule as of December 31, 2008 (000's SR)

Fiscal Year	Savola Group	Afia Int'l	Herfy	Savola Packaging Systems Co	United Sugar Company	Savola Emerging Markets	2008 Total	2007 Total
2008	0	0	0	0	0	0	0	133,185
2009	0	24,865	11,875	7,315	95,585	0	139,641	132,774
2010	300,000	370,315	8,800	8,004	118,122	14,322	818,562	151,703
2011	0	24,865	7,300	3,471	88,111	9,337	132,984	116,991
2012	0	24,865	1,979	2,695	88,111	9,237	126,887	42,572
2013	0	14,748	0	0	0	9,236	23,985	7,020
2014	0	4,327	0	0	0	9,236	13,564	4,615
2015	0	1,154	0	0	0	0	1,154	865
Total	**300,000**	**456,139**	**29,954**	**21,485**	**388,928**	**51,268**	**1,256,777**	**589,725**

g-3) Short-term loans repayable within one year (000's SR)

Short-term Loans (000SR)	Banks / Others	2008	2007
The Savola Group	SABB, Bank Al Jazira, Bank Saudi Fransi, Al Rajhi Bank	1,162,954	200,675
Afia International	Islamic Dev. Bank, Al Rajhi Bank, NCB, SABB, Samba and Egyptian, Turkish & European banks	1,052,866	382,189
Savola Food Emerging Markets	Islamic Dev. Bank and Moroccan, Sudanese, Algerian & European banks	245,502	152,733
Azizia Panda United	NCB	126,967	0
Savola Packaging Systems (SPS)	SABB, NCB, Abu Dhabi Bank Egypt	143,960	252,598
United Sugar Company (USC)	Islamic Dev. Bank, Samba, SABB and Commercial Intl Bank of Egypt	526,318	310,476
Al-Batool International (Franchising)	SABB	34,999	14,999
Total		**3,293,566**	**1,313,669**

h) Summary of payments made to the Government during 2008 (000's SR)

Payments	2008	2007
Customs Duties	128,758	112,597
Zakat & Income Tax	23,241	43,924
GOSI (for KSA) & social insurance (for outside KSA)	55,996	39,785
Visa and Government fees	12,114	9,347
Other duties and Government levies	13,542	6,249
Total	**233,542**	**211,902**

1. Savola Foods Sector

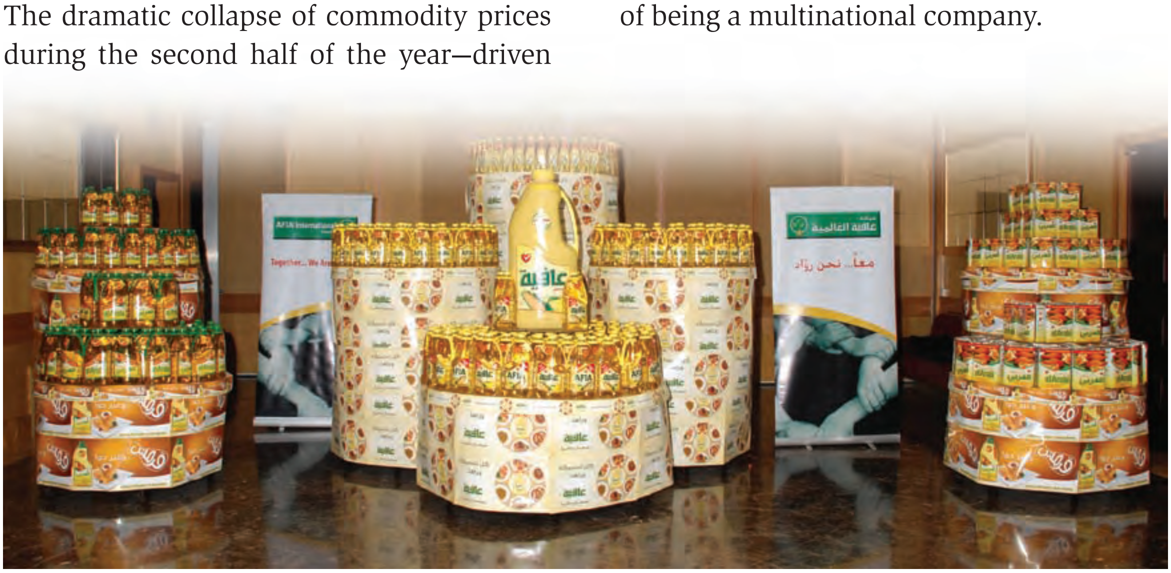
The Savola Foods Company operates eleven plants located across eight countries. Products are sold in over 30 countries across the Middle East, North Africa and Central Asia region.

Savola Foods Company (SFC) faced a year of challenges in 2008, along with substantial achievements. Yudum Co. in Turkey joined the Savola Foods sector in January 2008 and proved a great asset. Afia International Algeria commissioned its new plant in Oran City in western Algeria, bringing the Afia brand to that country. In Egypt, Savola Foods successfully entered the sugar market with the commissioning of its new cane sugar refinery in Ain Al Sokhna port, followed by successfully launching Al-Osra brand into the Egyptian market. In another major achievement, Savola Kazakhstan Co. (TEOI), the Foods edible oil business in Kazakhstan, opened a new refinery that will increase the Company's market share in the promising Central Asia countries.

The dramatic collapse of commodity prices during the second half of the year—driven by the international financial crisis—played a major part in the profit drop of the sector. This led to the statement of total Savola Foods Company profits for 2008 as nearly breakeven, after a strong start in 2008. The decision to mark to market its inventories resulted in a negatively impacted fourth quarter, almost completely offsetting the gains made in the first half of the year.

The fundamentals of the Savola Foods Company are sound and are in place to continue its growth strategy. Market share has increased in the majority of its global markets, resulting in consolidated revenues growing by a strong 20% to reach SR 7 billion.

Major investments in new sugar and oil projects in Egypt and Algeria have been completed and commercial operations are underway. In order to improve best practice and knowledge transfer, The Group continued to emphasize organizational excellence by creating “functional forums” to share best practices and knowledge and leverage the power of being a multinational company.



1. Savola Foods Sector

1.a) Afia International Company (KSA, Gulf, Levant)—Edible Oils

Markets in the Kingdom of Saudi Arabia, the Gulf countries, Yemen and Levant countries are supplied from the Afia plant in Jeddah. Despite the major turbulence that confronted both Afia and other major global edible oil producers in the market, Afia maintained its 2007 market share in KSA at 52% and remained in the leading position in the Gulf edible oil market. Sales revenue for the region increased to SR 1.8 billion in 2008, up from SR 1.3 billion in 2007. As a result of global conditions, the 2008 net profit for KSA declined to SR 56.6 million, compared with SR 120 million achieved in 2007, excluding all export sales.

Despite these adverse conditions, major profit achievements by Gulf and Levant Afia teams were reported. Afia Gulf recorded a profit of SR 17 million, up from SR 11 million in 2007. Levant improved strongly to SR 7 million, compared with a loss of SR 16 million in 2007.

Afia and Al-Arabi brands demonstrate again that they are major assets. Both enjoy strong equity and loyalty among consumers; the market shares of Afia increased and Al-Arabi maintained its strong 2007 market level.

1.b) Savola Behshar Company (Iran)—Edible Oils

Afia International Company increased its ownership in the Savola Behshahr Company (SBC) by 31% to reach 80% during the second half of 2008. SBC however continues to be a jointly-controlled company, and its results are therefore accounted on the equity accounting basis instead of being consolidated.

Savola Behshar owns and operates three plants in Iran: Behshar Industrial Company (BIC), Margarine Manufacturing Company (MMC), and Behshahr Arvand (BA).

Total sales revenue more than doubled to SR 2.6 billion in 2008, compared to SR 1.2 billion in 2007. The Company maintained its overall market share at 41% while enjoying a dominant position of 56% in edible oil consumer segments. Net profit from Savola Behshar (SBC) grew to reach SR 158.8 million, up from SR 95.5 million in 2007.

1.c) Afia International Egypt—Edible Oils

Afia International Company in Egypt is 94.5% owned by Afia International. Growth in 2008 was strong and the company now leads the Egyptian edible oils market with a 42% market share. This market leadership continues to be driven by the premium brands Rawaby, Afia, Ganna and Helwa.

Revenues grew by 35% over 2007 to reach SR 1.26 billion for 2008. Net profits rose sharply to SR 82.7 million, up from SR 16.6 million achieved in 2007.

1.d) Savola Morocco—Edible Oils

Savola Morocco is owned 100% by Savola Foods Emerging Markets Company (SFEM), a subsidiary of Savola Foods Company. During 2008, the market share of the Afia brand grew with a focused brand-building drive and better distribution; Afia is positioned as the premium brand and Hala as the low-tier brand.

1. Savola Foods Sector

Despite the financial crisis, revenues increased by 27% over 2007, reaching SR 350 million in 2008. This gain however was offset by the collapse in commodity prices, resulting in the company reporting a net loss of SR 25 million compared to a loss of SR 22 million reported in 2007.

1.e) Afia International Algeria—Edible Oils

Afia International Algeria began its commercial operations in October 2008 and is owned 100% by SFEM. With a plant capacity of 200,000 MT, the Oran-based plant in the west of Algeria is capable of supplying up to 40% of total market demand.

Afia is the flagship brand used for Algerian market entry, backed by a large marketing campaign for the launch. Early results are very encouraging: Afia is now enjoying 34% numerical distribution and 44% weighted distribution in local markets in just two months after launch. As the company is in its foundation stage, expected startup losses of SR 43 million were included during the year.

1.f) Savola Sudan—Edible Oils

Savola Sudan Company, 100% owned by SFEM, entered its third year of operation in the country. The Company grew sales volume by 39% over the prior year, selling 29.8 kMT in 2008 against 21.5 kMT in 2007.

The Company successfully launched its premium brand, Sabah, in 2008 and received great response from both trade and consumers. This is in line with the Company's long-term strategy to switch Sudanese consumers to packaged, safer and healthier branded oil.

The Company supported the launch of Sabah with an effective advertising campaign covering television, radio and outdoors. The Company is consolidating its position in the market and expanding distribution of its new brand.

Total sales revenue grew 67% over the prior year, reaching SR 221 million in 2008 compared to SR 132 million in 2007. The collapse of commodity prices resulted in the company reporting a loss of SR 30.6 million for the year compared to a loss of SR 13.6 million for 2007.

1.g) Yudum Gıda (Turkey)— Edible Oils

Yudum Gıda (Yudum) is 100% owned by Afia International Company as of January 2008. Yudum Gıda operates an edible oil manufacturing plant in Ayvalık, Turkey and supplies the Turkish edible oils consumer market with two leading brands—Yudum (18% market share for sunflower and rape seed oils) and Sırma (27% market share in the corn oil segment). The Company also exports its olive oil brands Cielo and Brillo to the Far East.

Revenues improved to SR 761 million in 2008, growing by 57% over 2007. Sales volume increased by 9% in 2008 to 81 kMT. The Company recorded outstanding profits of more than SR 26 million during the first half of the year, almost double the amount posted for the corresponding period last year. But the collapse in commodity prices and the devaluation of the Turkish Lira against the US dollar during the last quarter depressed the net income for the year to SR 0.3 million.

1.h) TEOI (Kazakhstan)— Edible Oils

TEOI is 90% owned by Afia International Company. During 2008, TEOI created a strong consumer brand portfolio and launched a number of new packages, products and several competitive innovations that have allowed the Company access to new market segments.

Revenues increased to SR 141 million in 2008, up from SR 90 million in 2007. Within a period of just four years, the Company has captured 18% of the market reaching number one position in Kazakhstan.

Major capacity increases and investments were completed in 2008, with capacity quadrupled to reach 80kMT. The new refinery was officially inaugurated by the Prime Minister of Kazakhstan in December 2008.

Despite revenues growing by SR 51 million to reach SR 141 million for the year, the collapse of commodity markets during the second half resulted in the Company reporting a net loss of SR 1.5 million versus a profit of SR 3.8 million achieved in 2007.

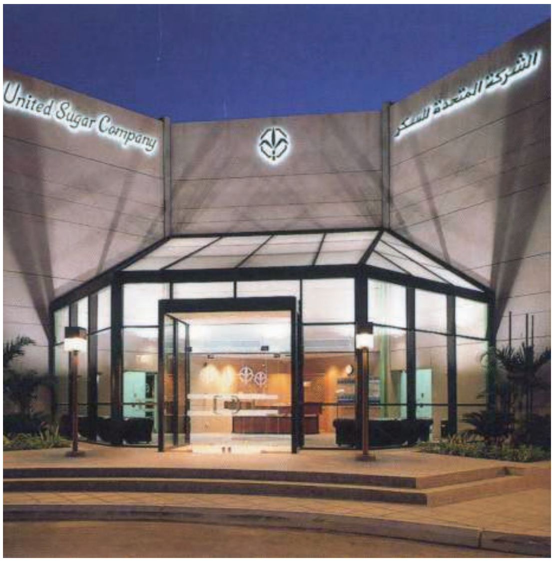
1. Savola Foods Sector

1.i) United Sugar Company (KSA, International Export)—Sugar

United Sugar Company (USC) operates from Jeddah Islamic Port and is 65% owned by Savola Industrial Investments Company (SIIC), a 100% owned subsidiary of Savola Foods Company. USC operates the third largest sugar refinery in the world, with production capacity of over 1.2 million MT per annum.

Sales volume increased by 6% over 2007 to reach 1.2 million MT in 2008. Exports grew 15% over 2007 by making inroads into new markets and expanding existing ones. Gross export sales reached SR 690 million in 2008, with exports now contributing 30% of total USC revenues. Net profits for USC Arabia [standalone, before consolidation of gains and losses from its subsidiary in Egypt] were SR 100 million, compared to SR 115 million reported in 2007. The Company reported a consolidated loss of SR 5 million for the year.

The Company has built a strong marketing base in the Middle East around its three core retail brands—Al Osra, Ziadah and Safaa. Consumer appeal of these USC brands is strong and loyal, giving USC an overall 68% market share in the Kingdom.



USC's factory location in Jeddah Islamic Port

Sugar refinery In Ain Al-Sokhnah—Egypt

1.j) United Sugar Company of Egypt—Sugar

United Sugar Co of Egypt (USCE) is a 53.3% owned subsidiary of USC, Arabia. The Savola Group also has a direct 18.8% holding in this company

USCE commenced operations in April 2008 with its new 750 kMT sugar refinery in Ain Al Sokhna port.

Sales volume in 2008 grew to 206 kMT through an effective start-up marketing campaign and very organized distribution system.

The company reported losses of SR 194 million for the year, which includes a provision of SR 87 million against the revaluation of open positions in the international sugar market which collapsed as a result of the collapse of commodity prices, and startup losses.

1.k) Alexandria Sugar Company (ASC)—Beet Sugar Project

Alexandria Sugar Company (ASC) will be The Savola Group's first sugar project utilizing beet as its key input raw material. The company will produce white sugar from domestically-grown beet root, operating at a refinery capacity of 180 kMT, which also yields 60 kMT of molasses and 60 kMT of animal fodder in beet root pulp. ASC was established during 2008 and has obtained the majority of the licenses required by the various authorities in Egypt and started the process of getting utilities to the project site.

2. Retail Business Sector (Panda Stores)

The Savola Group manages its Retail sector through its subsidiary Azizia Panda United Co (Panda), a limited liability company that is 80% owned by The Savola Group.

Azizia Panda United (APU) was established in 1978 and acquired by the Savola Group in 1998. The Company operates 64 Panda supermarkets (Panda Stores) and 15 hypermarkets (HyperPanda Stores) across the Kingdom, with one hypermarket located in Dubai.

With 30 years of on-going success and retail trading expertise, Panda continued its strong sales growth through 2008. Excluding the effect of the merger with Giant Stores, Panda sales grew 40% to SR 5.35 billion in 2008, a considerable increase over SR 3.81 billion in 2007. Total consolidated revenues exceeded SR 6 billion for the year. Net Income for 2008 reached SR 96.4 million, up significantly from SR 24.2 million achieved in 2007.

Panda completed its merger with Giant Stores Saudi Arabia in October 2008 and started the process of converting 12 Giant stores over to Panda supermarket format and the remaining seven Giant stores into HyperPanda hypermarkets. This merger increases the total Panda store count to 98 in KSA—76 supermarkets and 22 hypermarkets. The operation of Giant's 34 stores in Lebanon and four stores in Qatar will be merged with the Panda operations at a later date.

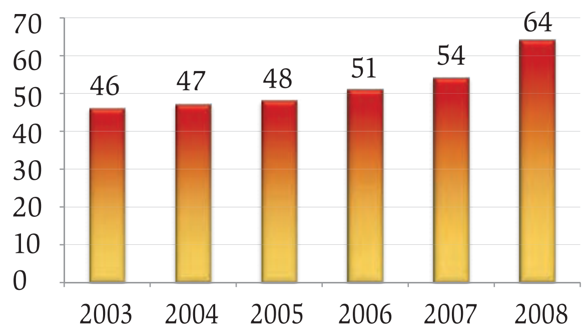
Panda continued its aggressive store expansion program with the opening of 17 new hypermarkets and supermarkets during 2008, bringing its total selling area to 236,000 square meters. Consolidation with Giant Stores will bring the total selling area up to 303,000 square meters. Panda stores were opened for the first time in 5 cities: Khamis Mushait, Bisha, Dhahran, Abqaiq and Najran during the year. Total customer visits in 2008 were 17% higher than 2007, with annual total customer traffic of 51 million visits.

The competitive situation within the Kingdom remained challenging, with price volatility and big increases in global costs of food products having significant impact on the sector. Nonetheless, the Company continued to apply its strategy of maintaining lowest prices through better management of profit margins and innovative marketing programs, reducing purchase prices, leveraging logistics infrastructure, and developing advanced information technology systems.

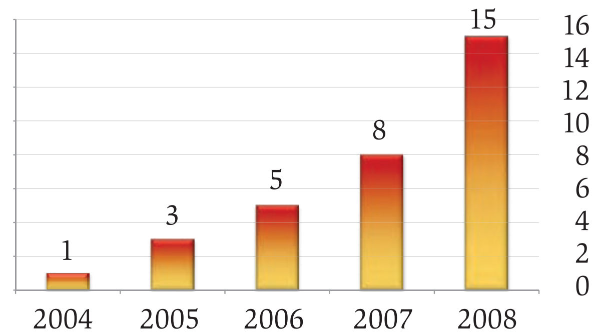
Panda continues its strategic plan to provide best value-for-money for its customers. Panda's "private label" items offer high quality and lower prices for customers while deliver-

HyperPanda in Dubai Festival

Growth in the number of Al-Azizia Panda United stores
(supermarkets & hypermarkets, during the years 2004 to 2008)



Growth in the number of Supermarkets
(2003-2008)



Growth in the number of Hypermarkets
(2004-2008)

ing better profit margins to Panda. The number of these Panda "private label" products increased to 600 in 2008, an increase of 33% over 2007. The Company expects to continue increasing its private label range and sales revenue through 2009.

In 2008 Panda successfully completed the construction of its central warehouse in Riyadh which is now fully operational. This warehouse is the largest of its kind in the Middle East, with covered area of 72,500 square meters, expandable to 92,500 square meters in the future. The warehouse includes separate controlled temperature sections to suit storage needs of particular foods—dry, chilled and frozen products. It is currently providing services to all Panda stores.

The present Panda Business Leadership Team has proven its capability in managing and successfully delivering a raft of fast-track growth projects in the past years. For 2009, eight new supermarkets and three hypermarkets are planned, for a total of 11 new store openings by year-end. Renovations of some existing stores are underway, along with major re-branding and renovations of acquired Giant stores.

These ambitious plans require hiring thousands of new employees during the coming year. Panda has succeeded in establishing systems and processes to recruit, train, and develop the required manpower to meet its expansion plans. It has succeeded also in raising its Saudization percentage to approximately 40%, with more than 3,800 Saudi employees currently working in the Company, making Panda the largest Saudi retail company in terms of both percentage and total numbers of Saudi employees.

City

Azizia Panda's central warehouse in Riyadh City

3. Savola Plastics Division (SPD)

The Savola Group manages its investments in the Plastics sector via the Savola Plastics Division. SPD is a major regional producer of packaging products. During the year SPD grew its overall share in 'rigid' and 'flexible' plastics markets to 15.4% in the Kingdom and to 10.4% in rigid plastic in Egypt.

The Company owns 100% of Savola Packaging Systems Company (SPS), 99% of Al Sharq Plastic–Riyadh, and 95% of Marina Plastic–Egypt. The six factories of SPD are sited in Jeddah (two), in Riyadh (two), and Alexandria, Egypt (two).

2008 was a year of strong growth for the business with revenues up by 37% to reach SR 775 million, generating consolidated net profits of SR 56 million for the year compared to SR 40 million achieved in 2007.

The company enjoys a market-leading position in Egypt in PET (80% sales growth over 2007). Export sales of the company grew by 102% over last year.

SPD is currently shipping its products to 25 countries around the globe. Our major customers are in MENA region, with exports also to Spain, Djibouti, Canada, Germany, Malaysia, Italy and others.

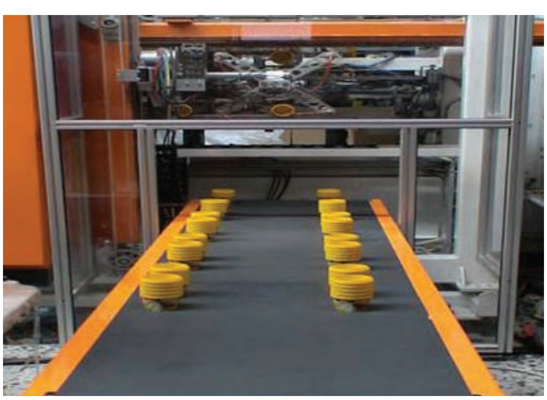
With the help of Almighty God, all SPD companies achieved outstanding results during the year 2008. Savola Packaging Systems Co. (Saudi operations) net profit reached SR 29 million compared to SR 25.7 million for last year. Profits of Al-Sharq Company in Riyadh reached SR 25 million, compared to SR 10.6 million for last year. Finally, New Marina Company in Egypt net profit reached SR 8.4 million, compared to SR 13.1 million for last year.

4. Franchising Division

His Excellency, The Minister of Commerce & Industry announces the winner of King Abdul Aziz Award for Quality by Savola Packaging System Co.

SPD won the King Abdul Aziz Quality Award (KAQA) in recognition of the quality and processes of the Company after extensive audits in various fields. Al-Sharq also obtained ISO 9001: 2000 Certification during 2008, so that all SPD companies are now ISO-certified.

SPD added a new plant in Egypt that will produce "in-mould labeling" (IML) products and closures. These products will substantially increase the market potential for the Company in Egypt.



Launching of In-Mold Labeling (IML) new production line in New-Marina Co. Refinery

Al Batool International Company

This division is managed and operated by Al Batool International Company, which is 100% owned by The Savola Group. The company operates international brands in categories of cosmetics, leather goods and ladies casual wear.

Sales for 2008 climbed to SR 37.5 million, 27% above last year. The Company achieved break-even profit for 2008. That was improved from a bottom-line loss in 2007 of SR 14 million that included write-offs of discontinued brands.

5. Real Estate Division

Kinan International for Real Estate Development

The Savola Group owns 30% of Kinan International for Real Estate Development Company. Kinan has 10 malls in its portfolio, spread across the Kingdom, with assets worth SR 1.7 billion carried at cost as at December 2008. The Group appoints three of the nine Board Members of the company. The Company's legal structure was changed from being a limited liability company to closed joint stock company in 2008.

Revenues reached SR 204 million in 2008, up by 19% over 2007. The increase in revenue was generated by boosts in the leased spaces in malls, mainly from the newly launched "Aliat Al Madina," "Dana Mall" and "Huwailat Mall."

View of an entrance of Aliat Al Madina Mall

Interior view at Al-Jamea Plaza in Jeddah City

The number of visitors to Kinan-owned malls was more than 34 million, growing by more than 16% over 2007. The increase was generated by effective and diversified marketing programs carried out by Kinan and the anchor presence of "HyperPanda."

Kinan has finalized and implemented a longer-term strategy to focus on development of middle-income residential properties.

6. Investments Division
(non-managed businesses)

6.a) Al-Marai Company

The Savola Group owns 28% of the share capital of Al-Marai, listed on the Saudi Stock Exchange and a leading Middle East food company.

During the year, The Group increased its investment in Al-Marai Company by an additional 3.4 million shares, at an average price of SR 135 per share, increasing its holding by 2.7% to reach 28% by the end of the year.

Al-Marai increased revenue by 33.4% to reach a record of SR 5 billion for the year. Net income grew in tandem by 36.4%, to SR 910.3 million. This outstanding performance resulted from Al-Marai's brand strengths, consumer knowledge, superior product innovation and excellence in execution across all aspects of the company.

Al-Marai operates a highly efficient distribution network with 97 sales depots throughout the GCC. The expansion of this distribution network has been a major contributor to Company growth.

An Al-Marai subsidiary, Western Bakeries, has become the leading producer and

6.a) Al-Marai Company (cont.)

distributor for a wide variety of baked food products, leveraging its strong consumer brand Lusine. In 2008, the contribution by bakery products was significant, forming 10.2% of turnover of Al-Marai Company. Bakery product sales will extend into new geographic markets—first to Kuwait, then to the GCC.

During 2009 Al-Marai expects to expand dramatically. The Al-Marai product range will continue to expand with new product innovations and launches. Further impetus for growth will come from the joint venture with Modern Food Industries and the new Al-Marai factory in the Central Region.

6.b) Herfy Food Services Company

Herfy Food Services Company, a closed joint stock company, is 70% owned by The Savola Group.

Sales in 2008 reached SR 466 million, a 24% increase over 2007. Net profits reached SR 91 million in 2008, up from SR 61.1 million in 2007.

Herfy continued its expansion in 2008 by opening eight new carefully-selected outlets in the Kingdom, bringing the total for the restaurant chain to 138 outlets, the largest chain in the Kingdom. This expansion boosted the Herfy market share in the Kingdom's fast food sector and kept Herfy ahead of competitors in the local market.

Herfy Food Services also owns and operates a chicken and beef processing plant with enough production capacity to supply fresh meat to all Herfy restaurants across the Kingdom.

Herfy Bakery & Sweets Shops has grown to a chain of more than 14 shops in Riyadh, with three new openings on the way. The Bakery & Sweets Shops will continue their successful expansion into more exquisite selections of cakes, chocolates, confectionaries, pastries and other Herfy bakery products. Herfy already enjoys a strong market share in rusk, mamoul and cookies.

1. The Saudization Program

Employing and developing local talent remains a cornerstone in Savola's core strategy. The Saudization percentage at Headquarters reached 44%, with the Kingdom-based subsidiaries reaching a close 37.2%. The Group's total international and local workforce exceeded 16,267 employees, of which 4,000 were in international operations and 4,298 were Saudi men and women at the end of 2008.

The Group continued its extensive training programs during the year, both within and outside the Kingdom. A number of internally developed training programs drawn from experience and expertise accumulated over the years were carried out across all sectors, expanding The Group's corporate culture and knowledge base among its employees.

Propelled by The Group's rapid growth, a large number of Saudis have been recruited during the year as management trainees across the various business units. The Group, through its Retail sector, Panda, signed an agreement to work jointly with the Technical and Vocational Training Corporation (TVTC) to establish a Saudi Retail Sales and Marketing Institute with a goal of training 10,000 Saudis in the first three years who would be subsequently employed at Panda's various stores as well as at other retail stores.

In all, The Group trained 1,776 young Saudis, providing them with a total of 27,104 training hours during the year.

His Excellency, Dr. Ali Al-Ghufais, the Governor of TVTC with Savola and Panda Team during the signing ceremony of the agreement to establish the Saudi Retail Sales & Marketing Institute

2. Corporate Social Responsibility (CSR) Programs

In its commitment to community development, The Savola Group continued to implement a range of social responsibility programs during the year. These programs are organized under the "Savola Bridges" initiative that involves The Group sponsoring and participating in a number of projects for citizens in collaboration with official institutions and charitable organizations. A key project in this program is the training and recruitment of people with special needs, in collaboration with Jeddah Chamber of Commerce & Industry (JCCI). The CSR program activities span various fields including education, health, environment and special needs individuals.

The Group has also revised its strategy to implement its CSR programs using a resource-focused approach, resulting in the consolidation of its two key initiatives: the Savola "Bridges for Special Needs Individuals" and the Leadership program, in order to ensure quality and continuity of these initiatives.

The Savola "Bridges for Special Needs Individuals" initiative aims to set up a Center of Excellence to train and employ special needs individuals. The groundwork for this program has begun, assisted by well-known international consultancy firms specializing in training and recruiting for special needs. The second bridge, "Leadership Programs," is designed to transfer Savola's successful experiences and best practices in leadership

*His Royal Highness Prince Sultan Bin Salman, Chairman of the Disabled Children Association, inaugurates Panda's campaign **"Leave The Change for Them"*** and management, both locally and regionally. Such experiences include Corporate Culture, Marketing Research, CSR, Corporate Governance and Saudization. This Bridge was launched with the participation of the Group Managing Director and the Executive Team. The Group Managing Director and various executives shared their experience by holding lectures and forums for a number of institutions, and also participated by contributing work papers in conferences. In 2008, The Group signed an agreement with the Young Businessmen Organization at the Council of Saudi Chambers of Commerce & Industry to support and sponsor these activities.

Extending CSR initiatives through its subsidiaries companies, Azizia Panda United Company (Panda Stores) executed its own CSR program under the slogan "Serving our Community is Our Duty." The Disabled Children Association received SR 1.3 million from the 2008 campaign "Leave The Change for Them." Additionally, blood donations and educational and counseling campaigns were administered during the year in collaboration with various governmental, medical and educational institutions.

His Royal Highness Prince Sultan Bin Salman, Chairman of Disabled Children Association, honors Savola for its support to the DCA programs

Savola shares its experience in Corporate Social Responsibility by participating in Partnership & CSR Forum between the private and public sectors in KSA

3. Programs Established for Employees' Interest and Welfare

3.a) Employees Cooperative Takaful Program:

The Savola Group signed a contract with Bank Al Jazirah for the bank to pay compensation equivalent to two years salary of any employee in case of death for any reason, and varying amounts of compensation for total disability, permanent or partial disability. The minimum allocated amount for each employee is not less than SR 50,000. The amount paid by The Group to Bank Al Jazirah was SR 517,336 in 2008, compared with SR 1.06 million in 2007 that the Bank has compensated eligible employees during the year. This program is Shari'ah compliant and approved by the Islamic Shari'ah Advisory Council of Bank Al Jazirah.

3.b) Employees Home Loan Scheme:

This program provides interest-free loans to help employees purchase or build a house for themselves and their families. It was designed to retain outstanding Saudis in various grades and non-Saudis in executive positions. Stringent criteria in exceptional performance need to be satisfied to be eligible for this program. Loan values range from SR 500,000 minimum to SR 2.5 million per employee, with the scheme capped at a maximum limit of SR 50 million at any point of time. More than 66 Saudi employees have benefited from this program since it was initiated in 1992. Under the Home Loan Policy, loans are deducted from the employee's salary in monthly installments for a period of 120 month. Outstanding loan amounts reached about SR 18.5 million at year-end. The program policy is approved by the Board of Directors and supervised by a committee formed by the Group's Managing Director.

3.c) Employees Takaful Fund

Savola established a "Takaful Fund" as part of its commitment to the principle of Caring Justice (Birr) and to promote cooperation and solidarity among its employees. This Fund helps junior staff (non-managers) deal with any financial emergencies they may face. This program is financed through voluntary nominal contributions that are made monthly by the different grades of The Group's staff in Saudi Arabia. Savola contributes an additional 35% to these total contributions. The total fund (staff's payments plus Savola Group contribution) amounted to SR 372,000 in 2008, compared with SR 385,000 in 2007. Approximately 150 employees benefited from this fund in 2008. The Fund is administered by a committee and governed by a set of stringent criteria and policies.

Corporate Governance in 2008

Pursuant to Article 9 of the Capital Market Authority's (CMA) Corporate Governance, Joint Stock companies must disclose in the Board of Directors report the provisions that have been implemented and the provisions that have not, as well as the reasons for not implementing them. This is in addition to requirements in CMA's Listing Rules regarding specific content of the report of the Board of Directors.

The Savola Group gives special emphasis to enforcement and compliance with corporate governance norms and requirements. As a policy The Group maintains levels of transparency and ensures compliance of internal Corporate Governance policies that meet or exceed the requirements of regulations imposed by Governmental and statutory authorities.

The Board of Directors created a special sub-committee headed by the Chairman to formulate and supervise the implementation of all Corporate Governance and Corporate Social Responsibility-related activities. In addition, a special management team has been established to monitor and ensure follow-up and to implement these programs and the Committee's directives.

1. Investor Relations and the Rights of Shareholders

The Savola Group gives special consideration to the rights of its shareholders and investors as stipulated by law, the Company's Articles of Association and in The Group's Corporate Governance Code developed in 2004 and revised following the issuance of the Corporate Governance regulations by the CMA on November 2006. In addition to the commitment to publish its announcements and financial statements on Tadawul website, in daily newspapers and in the Savola Newsletter that is issued quarterly, The Group also provides shareholders with the required information through its website (www.savola.com) which is updated on a regular basis. The Group has a dedicated department for shareholders Affairs to respond to requests, questions and enquiries from shareholders.

2. Savola Group Equity Profile

–	Company authorized capital (SR)	5,000,000,000
–	Issued shares (all company's shares are ordinary shares)	500,000,000
–	Floated issued shares (as per Tadawul records)*	345,342,357
–	Paid-up capital (SR)	5,000,000,000
–	Nominal value per share (SR)	10
–	Paid-up value per share (SR)	10

Note: The total number of floated shares changes from time to time based on trading movement in The Savola Group shares in the stock market.

3. Shareholders and Investors Events and Dates for 2009

#	Occasions	2009	Notes
1	**Group's Annual Ordinary General Assembly Meeting—AGM**	18 April	*AGM invitation to be announced in Tadawul, newspapers, and uploaded on The Group website 25 days before the AGM fixed date.*
2	**First Quarter 2009 Events**		
	Board of Directors meeting to approve the financial results for First Quarter and its dividends	9 April	
	Publishing financial results for the First Quarter 2009	11-15 April	*To be announced in Tadawul and published on The Group website and in daily newspapers.*
	The expected date to pay First Quarter of 2009 dividends to the shareholders		*15 days after the maturity date mentioned in the announcement.*
	The expected date to issue Savola Newsletter for the First Quarter 2009	15 May	*To be distributed as an appendix in one daily newspaper and on The Group website.*
3	**Second Quarter 2009 Events**		
	Board of Directors meeting to approve the financial results for the Second Quarter and its dividends	18 July	
	Publishing financial results for the Second Quarter 2009	20 July	*To be announced in Tadawul and published on The Group website and in daily newspapers.*
	The expected date to pay the Second Quarter 2009 dividends to the shareholders		*15 days after the maturity date mentioned in the announcement.*
	The expected date to issue Savola Newsletter for the Second Quarter 2009	15 August	*To be distributed as an appendix in one daily newspaper and on The Group website.*
4	**Third Quarter 2009 Events**		
	Board of Directors meeting to approve the financial results for the Third Quarter and its dividends	17 October	
	Publishing financial results for the Third Quarter 2009	20 October	*To be announced in Tadawul and published on The Group website and in daily newspapers.*
	The expected date to pay Third Quarter 2009 dividends to the shareholders		*15 days after the maturity date mentioned in the announcement.*
	The expected date to issue Savola Newsletter for the Third Quarter 2009	15 November	*To be distributed as an appendix in one daily newspaper and on The Group website.*
5	**Fourth Quarter 2009 Events**		
	Board of Directors meeting to approve 2010 plan and budget	26 December	
	Publishing financial results for the Fourth Quarter 2009	21 January 2010	*To be announced in Tadawul and published on The Group website and in daily newspapers.*
	The expected date to pay Fourth Quarter's dividends to the shareholders		*15 days after the maturity date mentioned in the announcement.*
	The expected date to issue Savola Newsletter for the Fourth Quarter 2009	15 February 2010	*To be distributed as an appendix in one daily newspaper and on The Group website.*

* *Some of the above mentioned dates are approximate. They may be changed according to circulars and notification that will be received from official authorities.*

4. Board of Directors

4.a) Board of Directors Roles and Responsibilities

The main role of the Board is to establish overall corporate strategies, plans, policies and financial objectives. The Board approves financial provisions and budgets, and oversees and monitors the performance and progress of The Group subsidiaries, associates and investments. The Board protects the interests of the shareholders and other relevant parties by ensuring compliance with all applicable rules and regulations. The Group follows all requirements stipulated by its corporate Articles of Association, by its Corporate Governance Code and by other internal policies.

4.b) Board Composition, Memberships and Qualifications

The Savola Group Board comprises 11 members. All are non-executives with the exception of the Group Managing Director. Most of these Board members are independent as per the schedule below.

Sr.	Member Name	Type of membership in Savola	Qualifications
1	Eng. Adel M. Fakeih (Chairman of The Board)	Non-Executive	Bachelor in Industrial Engineering with honors, King Abdulaziz University, Jeddah; Former Managing Director of the Savola Group; Chairman of the Jeddah Chamber of Commerce & Industry (JCCI); Mayor of Jeddah city since May 2003.
2	Dr. Sami M. Baroum (Managing Director)	Executive	Ph.D. in Operations Management and MIS from Indiana University; MBA with distinction from the Wharton School of Business, University of Pennsylvania.
3	Mr. Ibrahim M. Al Issa	Non-Executive	Bachelor in Business Administration, Chapman University, California, USA.
4	Mr. Abdulaziz K. Al Ghufaily	Non-Executive	Master in Economics, USA; Bachelor in Economics, King Saud University.
5	Dr. Abdullah M. Telmesani	Independent	Ph.D. in Urban and Regional Planning, University of California, Berkeley; Master in Planning and Urban Design, Harvard; Bachelor of Architecture, Faculty of Engineering, King Abdulaziz University,

4.b) Board Composition, Memberships and Qualifications (Continued)

Sr.	Member Name	Type of membership in Savola	Qualifications
6	Mr. Ammar A. Al Khudairy	Independent	Master in Engineering Administration, George Washington University, USA, 1984; Bachelor in Engineering, George Washington University, USA.
7	Dr. Ghassan A. Al Sulaiman	Independent	Ph.D. in Strategic Management, University of Hull in the U.K.; Master in Business Administration (Honor Degree), University of San Francisco, California, USA; Bachelor of Science in Business Administration, Menlo College, California.
8	Mr. Mohammad A. Al Fadl	Independent	Bachelor in Economics and Marketing Sciences, USA, 1977.
9	Mr. Mousa O. Al Omran	Independent	Master of Business Administration, Saint Edward; Bachelor in Industrial Engineering, King Saud University; Diploma of American Institute (AIB).
10	Mr. Yousef M. Alireza	Independent	Master of Business Administration, University of California, Berkeley.
11	Eng. Talal I. Al Maiman	Non-Executive	Bachelor in Electrical Engineering, USA; Senior Management Program, Harvard University, 1987.

* *For more details on the Board Members, their CV's and experience, please visit The Group website: www.savola.com*

4.c) Board of Directors—Meeting Attendance and Report on Board Members in Joint Stock Companies

Seven Board meetings were held in 2008, of which four were scheduled Board meetings and three un-scheduled/exceptional meetings. The following table details the Board meetings and directors membership in other Joint Stock companies in 2008.

Sr.	Member name	Scheduled meetings (4)	Exceptional meetings (3)	Total of meetings attendance	Joint Stock Companies
1	Eng. Adel M. Fakeih	3	2	5	None
2	Dr. Sami M. Baroum	4	3	7	Al-Marai, Afia Int'l, Arabian Cement, Kinan Int.
3	Mr. Ibrahim M. Al Issa	4	2	6	Taibah Co, Saudi Fransi Bank, Al-Marai, Yanbu Cement Co, Kinan Int.
4	Mr. Abdulaziz K. Al Ghufaily	4	3	7	Industrialization & Energy Services Co, Herfy Food Co
5	Dr. Abdullah M. Telmesani	4	3	7	Afia Int'l.
6	Mr. Ammar A. Al Khudairy	2	3	5	Al Deera Al-Arabi Co, Kingdom Holding Co.
7	Dr. Ghassan A. Al Sulaiman	4	3	7	Arabian Cement, Afia Int.
8	Mr. Mohammad A. Al Fadl	3	3	6	Arabian Cement, Jeddah Holding Co, Kinan Int.
9	Mr. Mousa O. Al Omran	3	2	5	Saudi Fransi Bank, Afia Int., Al-Marai, Arabian Cement
10	Mr. Yousef M. Alireza	4	2	6	Afia Int'l.
11	Eng. Talal I. Al Maiman	2	2	4	International Industrialisation Co, Kingdom Holding Co

4.d) Evaluation of Board of Directors and its Subcommittees

The Board of Directors has put in place a plan to continually monitor and evaluate the performance of its members. The objective of this plan is to assess the strengths and weaknesses of the Board and to continually improve its performance and contribution.

An extensive and detailed questionnaire has been developed in 2008 to conduct a self-evaluation for the Board as a whole and for its members individually. This questionnaire will be answered by Board members and then analyzed and presented by the Chairman to the Board. The Board also approved the evaluation of the performance of its subcommittees as well as its members.

The evaluation process will start with the Nominations & Compensation Committee as the planning process and the periodic evaluation process of the Board and its subsidiary committees fall within its area of responsibility.

4.e) Board of Directors and Senior Executive Remuneration

The Group pays annual remuneration, meetings attendance fees, and other expenses for its Board and subcommittee's members based on the rules and regulations issued by Government Authorities. The Group also pays the salaries and benefits for its executives based on the contracts signed with them. Listed below are the details of such compensation and benefits paid to The Group's Board members and executives:

Board of Directors remuneration paid during 2008 (Saudi Riyal)

Description of remuneration and other benefits	Chairman of the Board (he is Non-Executive member)	Managing Director (he is Executive Board Member)	Non-Executive & Independent Board Members
Salaries	0	See senior executives remuneration below	None
Allowances include attendance fees and travel expenses for The Group Board and subsidiaries	9,000	24,000	297,120
Regular and annual remuneration to The Group Board members for their membership (annually SR 200,000)	See the note below	200,000	1,800,000
Total	**9,000**	**224,000**	**2,097,120**

Note: Chairman of the Board of Directors remuneration. *The Chairman did not receive any remuneration for his 2008 Board position. The annual remuneration and meetings attendance fees for his membership totaling SR 215,000 has been paid as a certified cheque in the name and account of the General Investments Fund which His Excellency Eng. Adel Fakeih represents through his membership of The Group Board. Accordingly, the total remuneration paid to executive and non-executive Board members reached SR 2.5 million for the year 2008, compared with SR 2.7 million in 2007.*

Senior Executive compensation for 2008

The total compensation paid to The Group's senior executives for 2008 was reduced to SR 10.5 million, compared with SR 15.5 million in 2007.

Details	Managing Director (as Chief Executive Officer)	Senior executive remuneration (7 members including The Group CFO)
Salaries	2,700,000	5,834,000
Allowances	945,000	1,551,900
Regular and annual performance bonus	See note below	3,121,486
Total	**3,645,000**	**10,507,386**

Note: Managing Director's compensation. *The Savola Group Managing Director has donated his 2008 Regular and Annual Performance Bonus compensation of SR 2.68 million to The Group's Corporate Social Responsibility programs, mainly for its leadership program. The program aims at transferring Savola's experiences and practices in the area of leadership and management capabilities. The total compensation paid to the Managing Director for 2008 (in his capacity as Board member and CEO of The Group) reached SR 3.86 million, compared to SR 9.58 million for 2007. Of this total, SR 3.41 million was paid to the former Managing Director for the first quarter of 2007, then SR 6.17 million was paid to the current Managing Director for the Second, Third and Fourth quarters of 2007.*

5. Board of Directors Committees

The Savola Group Board has six subcommittees formed from The Group Board members, outside independent members and assorted executives.

5.a) Audit & Risk Committee (annual audit plans and results)

The Audit & Risk Committee was established by the Board of Directors. It consists of five non-executive and independent directors, along with expert members in financial and accounting affairs.

The Committee held three meetings during 2008 to develop plans for internal controls and risk management, including monitoring the work of the external auditor. The Committee reviews The Group's accounts and external auditor's report on a quarterly basis. A final yearly review covers financial statements, clarification notes, and ensures that accounting policies conform to the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). This Committee provides the Board of Directors with on-going periodic reports on efficiency and effectiveness of internal control systems, including material observations by the internal auditor.

The Committee reviewed the internal audit performance for the year 2008, then discussed and approved the 2008 plan of internal control and risk management.

For the external audit, The Group appointed KPMG–Al Fawzan and Al-Sadhan to review and audit The Group accounts for fiscal year 2008 with a total fee of SR 195,000. The Group also appointed Ernst & Young (E&Y) to undertake the functions of the internal audit for some of its subsidiaries.

There is an internal audit department at Group level. Its main role is to follow-up all internal audit activities and ensures the effectiveness of The Group internal controls through the on-going periodic audit it performs with Internal Audit Departments across The Group. The internal auditor submits quarterly reports to the audit committee on progress and observations related to the internal audit activities.

Committee Members, meeting attendance and role of the Audit & Risk Committee:

<table>
<tr><th>Name</th><th>Position</th><th>Meetings attended</th><th>Main roles & responsibilities</th></tr>
<tr><td>Mr. Ibrahim M. Al Issa</td><td>Chairman</td><td>3</td><td rowspan="6">■ To supervise The Group's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
■ To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it and to review the internal audit report and pursue the implementation of the corrective measures in respect of the comments included in them.
■ To recommend to the Board of Directors the appointment, dismissal and the fees of external auditors.
■ To review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.</td></tr>
<tr><td>Mr. Saleh A. Alesayi</td><td>Member</td><td>2</td></tr>
<tr><td>Mr. Abdulaziz K. Al Ghufaily</td><td>Member</td><td>3</td></tr>
<tr><td>Mr. Mohammad A. Al Fadl</td><td>Member</td><td>3</td></tr>
<tr><td>Mr. Ammar Al Khudairy</td><td>Member</td><td>1</td></tr>
<tr><td>Mr. Mahmoud M. Abdul Ghaffar</td><td>Committee Secretary</td><td>3</td></tr>
</table>

Independent Risk Management Committee for 2009

The Board believes in the importance of risk management as a basic practice of successful management for the protection of the shareholders investments and the rights of the concerned parties. Therefore the Board formed an independent committee for risk management to start in 2009, comprised of six members. This separates the role of Risk Management from the Audit Committee.

No economic sector is immune from potential risks. The Group as an economic entity is exposed to various risks through the nature of its commercial business operating in the area of commodities and basic foods. These risks can be broadly categorized into those relating to price fluctuations, geopolitical risk, financial risks, and risks related to the current financial crisis.

5.b) Compensation & Nominations Committee

The Committee consists of four members, all non-executives and independents. The Committee held two meeting during 2008 and the list of members, attendance records and the role of the Committee are summarized below:

Name	Position	Meetings attended	Main roles & responsibilities
Mr. Yousef M. Alireza	Chairman	2	■ Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; insuring that such policies meet the standards related to performance; and follow-up the implementation of these policies. ■ Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards. ■ Conduct annual review of the requirement of suitable skills for membership of the Board and the preparation of a description of the required capabilities and qualifications for such membership and review the structure of the Board and determine the areas of strength and weakness in the Board of Directors and recommend changes. ■ Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
Dr. Ghassan A. Al Sulaiman	Member	2	
Mr. Mohammad A. Al Fadl	Member	1	
Mr. Mousa O. Al Omran	Member	2	
Mr. Mahmoud M. Abdul Ghaffar	Committee Secretary	2	

5.c) Investment Committee

The Investment Committee was formed with eight members to develop criteria, standards and plans for The Group's investment activities. The Investment Committee helps The Group develop sound investment plans and to explore and then seize the most attractive opportunities. This Committee reviews opportunities before being presented to the Board, makes recommendations to the Board accordingly, and then monitors progress on these recommendations.

Name	Position	Meetings attended	Roles & responsibilities
Eng. Adel M. Fakeih	Chairman	1	■ Reviews, evaluates and approves investment opportunities within the powers given by the Board and provides regular updates to the Board. ■ Follow-up with executive management during the implementation process of strategic investment decisions.
Mr. Ibrahim M. Al Issa	Member	1	
Dr. Sami M. Baroum	Member	1	
Mr. Ammar Al Khudairy	Member	1	
Dr. Ghassan A. Al Sulaiman	Member	1	
Mr. Mohammad A. Al Fadl	Member	1	
Mr. Mousa O. Al Omran	Member	1	
Mr. Yousef M. Alireza	Member	1	
Dr. Muhammad A. Ikhwan	Coordinator	1	
Mr. Mahmoud M. Abdul Ghaffar	Committee Secretary	1	

5.d) Corporate Governance & Corporate Social Responsibility Committee

Demonstrating the Board's belief in the importance of Corporate Governance and Corporate Social Responsibility, a special committee of five members was formed in 2004 and most of them are non-executive/independent. The Committee held three meetings during 2008.

Committee Members and their attendance records:

<table>
<tr><th>Committee member name</th><th>Position</th><th>Meetings attended</th><th>Main roles & responsibilities</th></tr>
<tr><td>Eng. Adel M. Fakeih</td><td>Chairman</td><td>3</td><td rowspan="6">■ Ensure the Group compliance with CG regulations issued by CMA's.
■ Enhance the Groups' adherence to the disclosure & transparency and best practices, locally and internationally.
■ Supervise and follow-up on the execution of the corporate governance code and update it regularly.
■ Develop CSR plans and programs, and follow-up their implementation.</td></tr>
<tr><td>Dr. Ghassan A. Al Sulaiman</td><td>Member</td><td>1</td></tr>
<tr><td>Mr. Mohammad A. Al Fadl</td><td>Member</td><td>2</td></tr>
<tr><td>Dr. Abdullah M. Telmesani</td><td>Member</td><td>3</td></tr>
<tr><td>Dr. Ayman Arab Hashim</td><td>Member</td><td>3</td></tr>
<tr><td>Mr. Mahmoud M. Abdul Ghaffar</td><td>Committee Coordinator & Secretary</td><td>3</td></tr>
</table>

Since 2004, The Group has enacted policies on disclosures, transparency, conflicts of interests and confidentiality of internal information. All Board directors and corporate senior executives sign the Code of Conduct. After new KSA corporate governance regulations were issued in November 2006 by the CMA, The Group reviewed its Code of Conduct to ensure everything was in compliance with all provisions of the new regulations.

5.e) Grievance Committees for Employees and Shareholders

In its belief in justice and protection of Savola Group shareholders' rights and those of the businesses owners, the Board developed a grievance policy and formed the following committees to settle any grievances by business owners and employees forwarded to The Group. This is in compliance with article 10 of the Corporate Governance Bylaws, paragraph (E) pertaining to the drawing up of a written policy that governs and organizes the relationship with the businesses owners, compensation mechanisms, and settlements of complaints that might arise between them and the company.

Employee Grievance Committee

In 2008 the Board of Directors formed the four-person Employee Grievance Committee, which includes independent members. This Committee is mainly concerned with the grievances and complaints that come to it from executives and employees of the Group and its various sectors brought against any other employee or entity within the Group or its subsidiaries. The key role of this Committee is to review and consider any complaint or grievance in accordance with its approved internal policy in such a way as to fairly guarantee the rights of the aggrieved party.

Stakeholders Grievance Committee

Also during the year 2008, the Board formed a Stakeholders Grievances Committee comprised of the same members of the Audit Committee (non-executive and independent members). The Committee is concerned with the review and settlement of any grievances and complaints by any company stakeholders including shareholders, clients and others. This will help guarantee the protection of their rights and interests that are secured by contracts, laws and regulations.

6. Executive Board Team

The Executive Board of The Savola Group is comprised of eight members. They include each sector CEO, Senior Vice-Presidents in Headquarters and The Group's Chief Financial Officer. The Executive Board members are appointed by The Group's Managing Director, who also acts as Chairman for the Executive Board.

The mandate and role of the Executive Board is to implement the strategies, plans and policies approved by the Board. The Executive Board also monitors the performance of Group sectors and ensures their commitment and adherence to plans and policies, and their compliance with risk management policies and standards. It also develops and implements the different operational and advanced management systems that implement, monitor, and evaluate business plans and ensure that the company's business activities comply with the applicable rules, regulations and ethics. The Executive Board held eleven meetings during 2008. The Executive Board members are detailed below:

Sr.	Name	Position	Qualifications
1	Dr. Sami Mohsen Baroum	Managing Director	As mentioned above
2	Dr. Mohammad Amin Kashgari	CEO Retail and Plastics Sectors	Ph.D. and Masters degree in Chemical Engineering at Stanford University, California, USA; Bachelor in Chemical Engineering from KFUPM, Dhahran
3	Eng. Zouhair Eloudghiri	CEO Foods Sector	Masters Degree in Telecommunications from Ecole des Telcom, Paris, and Diploma in Industrial Engineering from Ecole des Mines
4	Dr. Mohammad Amin Jefri	President Franchising Division	Ph.D. and Masters degree in Chemical Engineering, Michigan State University, USA; Bachelor in Chemical Engineering, KFUPM, Dhahran
5	Eng. Nidal Abdulmajeed Jamjoom	CEO Kinan Int. For Real Estate Development	Bachelor in Industrial Engineering, KAAU, Jeddah 1991
6	Mr. Abdulrahman S. Basaddiq	Group CFO	FCA, Institute of Chartered Accountants, England
7	Mr. Nafez Riad Al-Morhabi	Chief Investment Officer	MBA in Finance & Accounting, University of Lancaster, UK 1997; Bachelor in Business Administration
8	Mr. Mahmoud M. Abdul Ghaffar	SVP, Corporate Affairs and Board Secretary	Bachelor in Industrial Safety & Security, San Francisco University, USA

7. List of top shareholders in The Savola Group

Summary of which shareholders owned 5% and above and how their ownership changed during the year 2008.

Sr.	Name	Nationality	Shares # at the beginning of 2008	Ownership at the beginning of 2008	Shares # at the end of 2008	Variance
1	Mohammed I. Al Issa	Saudi	50,000,000	13.33%	59,999,999	12%
2	Kingdom Holding Co.	A Saudi Company	38,111,916	10.16%	50,815,888	10.16%
3	Abdullah M. A. Al Rabiah	Saudi	32,812,500	8.75%	43,750,000	8.75%
4	General Organization for Social Insurance	A Saudi Government Investment Fund	18,024,885	4.81%	26,708,525	5.34%

8. Shares owned by Board members and first-degree relatives and their change in 2008

Sr.	Name (all Saudi nationals)	# of Shares at the beginning of 2008	# of Shares at the end of 2008	Variance	Relative ownership changes during the year
1	Eng. Adel M. Fakeih	3,125	4,166	1.041	None
2	Mr. Ibrahim M. Al Issa	322,280	2,000,000	1,677,720	None
3	Dr. Sami M. Baroum	2,000	2,667	667	His sons own 815 shares. No significant change during the year.
4	Mr. Talal I. Al Maiman	895	1,193	298	None
5	Mr. Abdulaziz K. Al Ghufaily	0	0	0	None
6	Dr. Abdullah M. Telmesani	3,750	5,000	1,250	None

8. Shares owned by Board members and first-degree relatives and their change in 2008 (continued)

Sr.	Name (all Saudi nationals)	# of Shares at the beginning of 2008	# of Shares at the end of 2008	Variance	Relative ownership changes during the year
7	Mr. Ammar A. Al Khudairy	2,093	2,790	697	None
8	Dr. Ghassan A. Al Sulaiman	17,196	34,594	17,398	None
9	Mr. Mohammad A. Al Fadl	4,728	6,304	1,576	His wife owns 144 shares. No change during the year.
10	Mr. Mousa O. Al Omran	4,728	6,304	1,576	None
11	Mr. Yousef M. Alireza	2,385	3,180	795	None

* *Note: There were no first-degree relative holdings other than those mentioned above.*

9. Shares owned by senior executives and first-degree relatives

Sr.	Name	# of Shares in the beginning of 2008	# of Shares in the end of 2008	Variance at during the year	# of Shares of first-degree relatives
1	Dr Mohammad Amin Kashgari	22,500	0	-22,500	None
2	Eng. Zouhair Eloudghiri	0	0	0	None
3	Dr. Mohammad Amin Jefri	20	26	6	None
4	Mr. Abdulrahman S. Basaddiq	0	0	0	None
5	Mr. Nafez Riad Al-Morhabi	0	0	0	None
6	Mr. Mahmoud M. Abdul Ghaffar	18,593	21,707	3,114	His wife owns 5,054 shares. No change during the year

* *Note: There were no first-degree relative holdings other than the above.*

10. Related-Parties Transactions

During the year 2008, The Group dealt with related parties in its usual course of business operations. The laws and regulations of the CMA and the Ministry of Commerce & Industry prescribe that all related party transactions should be presented to the Board. These are authenticated in the minutes of the Board meeting and ratified by the Shareholders Assembly. During its session held on Dec 27, 2008 the Board approved certain transactions and deals with related parties, and authenticated the same in the minutes of the said session. In this regard, the Board recommends the ratification and approval of these transactions as part of this report:

- Purchased 550,000 shares owned by Mr. Omran Al-Omran (the father of Board member Mr. Mosa Omran Al-Omran) and which were under his possession in the capital of Al-Marai Company.
- Purchased 750,017 shares owned by Swicorp (which has a consulting relationship and mutual business partnership with The Group) that were under its possession in the capital of Al-Marai Company.

11. Board Declaration, per CMA Corporate Governance Code

This report of The Savola Group conforms to the "comply or explain approach" on disclosure requirements on corporate governance code issued by the CMA. The following subjects were not applicable to The Group for 2008 and the Board will begin to disclose these as and when they become applicable:

- The Savola Group does not presently provide any employee stock option plans. However, The Group is considering the adoption of such a plan in the future, and will make the relevant disclosure as required.
- The Group does not have debt instruments transferable to shares.
- No contract or agreement or any arrangement made under which a shareholder, Director or senior executive or an employee of The Group waived his or her dividends or any emolument or compensation, other than what has been mentioned in this report with regard to the Chairman and Managing Director.
- There are no punishments, penalties or preventive restrictions imposed on the company by the CMA or any other supervisory, regulatory or judiciary body.
- Savola does not have preferred shares or shares with special priority in voting, whether to shareholders, directors or employees. All shares of The Savola Group are ordinary shares of equal nominal value and rank equally in voting and other rights as per regulations.

- The Board of Directors confirms that The Group's books and records comply with the accounting standards issued by SOCPA. The Board is committed to provide the CMA with any additional information as may be required in case of auditors expressing any reservations on the annual financial statements.
- Savola Group internal control systems and procedures are properly developed and effectively executed.
- There are no doubts about The Group's capability to continue its business activities.
- The Group is subject to Zakat according to the regulations of the Department of Zakat & Income Tax (DZIT). The Group records its Zakat provision and charges it to the Income Statement. Any amendments resulting from the final assessment are recorded at the time the assessments are finalized and agreed with the DZIT.
- The Group does not receive any notification from its shareholders in respect to any change to their equity positions during the fiscal year, except the notices of the Board of Directors and senior executives, as indicated in Provision 30 of the CMA's Listing Rules. The Group discloses the ownership percentage of its top six shareholders along with the net changes to their shareholding during the year. This information tracking is based on the regular reports received by The Group from Tadawul Shares Center.
- The Group Board presented accumulative voting methods to AGM's last meeting, which was held on March 25, 2008 and has not been approved by the shareholders. The Group is still studying this new mechanism prior to implementation because it requires special electronic and database applications.
- The Group has not granted any cash loans whatsoever to any of its Board members or rendered guarantees in respect of any loan entered into by a Board member with third-parties.

12. Recognition and Awards

As a result of its rich corporate culture and Savola's "Balanced Way" approach, The Group has recently received a number of local and regional awards, organized by leading and specialized bodies in the region.

- Savola qualified to win the Sa'afa Award for Good Governance and Transparency in Saudi Arabia among three corporations short-listed in the golden list. This golden list included The Savola Group, Islamic Development Bank and CITC.

- Savola ranked as the top Saudi company and as the 14th best Listed Company in the GCC in a study conducted recently by Hawkamah Institute for Corporate Governance, a non-profit organization based in Dubai, and in collaboration with The National Investors (TNI). The study included 581 GCC listed companies in respect to their commitment to Corporate Governance.
- Savola Packaging Systems, a Savola Group subsidiary, won the King Abdul Aziz Prize for Quality award in the category of medium-size industrial companies. This Award is in recognition of the quality and processes of the company after extensive audits of various fields.
- Afia achieved the position of Third Best Brand in the Arab world and the First Brand among Trademarks in consumer products.

جائزة الملك عبدالعزيز للجودة
KING ABDULAZIZ QUALITY AWARD

شركة عافية العالمية

- The Group won "The Best Investment Strategy Award" for the year 2008, organized by Arabian Business Magazine for the Saudi business sector.
- Savola won the Transparency Award presented by Saudi BMG from among 111 firms listed in the Saudi Stock Market competing for this award.
- Savola won the Best Workplace Practices Award – CSR Regional Awards by IIR in June 2008.

13. Compliance in Corporate Governance with regulations issued by the CMA for the year 2008

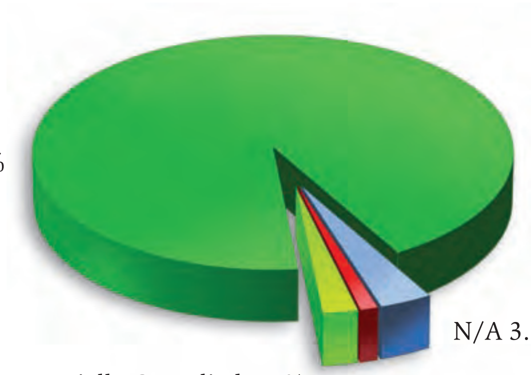
The Savola Group has appointed Ernst & Young to carry out an independent comparison between the Savola Group current corporate governance (CG) practices and CG code issued by the Saudi Capital Market Authority (CMA). This independent exercise assessed The Group's commitment during the year 2008 to the CG code issued by the CMA. The table below summarizes the results of this comparison:

SN	Article number in accordance w/Corporate Governance regulations	Number of clauses	Complied	Partially complied	Not complied	N/A	Comment
1	Article 3. General Rights of Shareholders	1	1				
2	Article 4. Facilitation of Shareholders' Exercise of Rights and Access to Information	2	2				
3	Article 5. Shareholders Rights Related to the General Assembly	10	10				
4	Article 6. Voting Rights	4	2	1 (6/d)	1 (6/b)		Article 6(d): The Group will request shareholders who represent a judicial person in Savola Group to provide their annual reports and their voting policies before the General Assembly meeting expected to be held on 18 April 2009. Article 6(b): The cumulative voting technique has been presented to the General Assembly on 25 March 2008. However, this has been voted against by the Assembly.
5	Article 7. Dividends Rights of Shareholders	2	2				
6	Article 8. Policies and Procedures Related to Disclosure	1	1				

13. Compliance in Corporate Governance (continued)

SN	Article number in accordance w/Corporate Governance regulations	Number of clauses	Com-plied	Partially complied	Not com-plied	N/A	Comment
7	Article 9. Disclosure in the Board of Directors Report	7	7				
8	Article 10. Main Functions of the Board	17	17				
9	Article 11. Responsibilities of the Board	8	8				
10	Article 12. Formation of the Board	9	7			2 (12/g, i)	Article 12(i, g): No new Board members have been elected during the year ended 31 December 2008. The current term of the Board members will expire on 30 June 2010.
11	Article 13. Committees of the Board	3	3				
12	Article 14. Audit Committee	11	11				
13	Article 15. Nomination and Remuneration Committee	8	5	2 (15/c/2, 4)		1 (15/c/1)	Article 15(c/2, 4): An assessment form has been prepared and distributed to Board members by the Remuneration & Compensation Committee to identify areas of strengths and weaknesses of Board members and to prepare a description of required capabilities and qualifications for the members, and this process is in progress. Article 15(c/1): No new Board members have been elected during the year ended 31 December 2008. The current term of the Board members will expire on 30 June 2010.
14	Article 16. Meetings of the Board	4	4				
15	Article 17. Remuneration and Indemnification of Board Members	1	1				
16	Article 18. Conflict of Interest within the Board	3	3				
Total		**91**	**84**	**3**	**1**	**3**	
Percentage		100%	92.3%	3.3%	1.1%	3.3%	

Savola Group's level of compliance with Corporate Governance Regulations



14. Recommendations at the Ordinary General Assembly meeting, April 18, 2009 at the Jeddah Westin Hotel.

The agenda for the Ordinary General Assembly meetings, which has been approved by the AGM in its meeting held on April 18, 2009:

1. Approval of the Board of Directors' Report for the year ended December 31, 2008.
2. Approval of the Final Accounts and the Auditors' Report for the year ended December 31, 2008.
3. Ratification of the Board recommendation to distribute SR 125 million (SR 0.25 per share) as dividends for the 4th Quarter of 2008, in addition to the total dividends distributed to the shareholders for the first three quarters of 2008 at the rate of SR 0.75 per share (i.e. SR 375 million). 2008 totaled SR 1 per share, raising the total dividends paid to SR (SR 500 million) for 2008, which equal 10% of the Company capital. The maturity date for the 4th Quarter 2008 will be for the shareholders registered in the company books at the end of the trading date of the AGM meeting scheduled on April 18, 2009.
4. Absolve the Board of Directors from any liability pertaining to the management of the company for year 2008.
5. Re-appointment of KPMG as external auditors recommended by The Group's Audit Committee to audit the quarterly and final accounts of 2009 with audit fees of SR 195,000 (i.e. this amount is for The Group as a public listed company and it doesn't include any of its subsidiaries).

Thanks and appreciations

The Board would like to take this opportunity to extend its thanks and appreciation to the Custodian of the Two Holy Mosques and to His Royal Highness the Crown Prince, Deputy Prime Minster, Minister of Defence and Inspector General for their special endeavours in furthering the welfare and the stability of the country. The Board also extends its appreciation and thanks to the Government of the Custodian of the Two Holy Mosques for its continuous support and encouragement of the industrial and private sector in the Kingdom. The Board also would like to thank all Saudi citizens for the trust and loyalt y they have placed in The Group and its products.

The Board of Directors further thank The Group's esteemed shareholders for their kind support and trust. It would also like to thank The Group's management and employees for their efforts, support and commitment.

Your Board is proud that The Savola Group is facing the future with great confidence and steadfastness. The Group is committed—with the help of Almighty God—to achieve our ultimate goals to serve our stakeholders' interests, the national economy and the local community.

We pray to Almighty God for continuous success and best regards to all of you.

The Savola Group Board of Directors