



**ROBUST:** Savola Group Managing Director Sami Baroum, center, speaks at the release of the group's financial results in Jeddah on Monday. (AN photo by Ghazi Mahdi)

## Savola sees retail sector driving 2010 growth

Posts better-than-expected net profit for 2009

K.S. RAMKUMAR | ARAB NEWS

**JEDDAH:** The Savola Group, which posted on Monday a better-than-expected net profit for the fourth-quarter and a higher full year results for 2009, projects to raise its net operating income by 8.1 percent in 2010.

Savola has made a SR269 million net profit for Q4 compared to a loss of SR464 million for the same period in 2008. Total net profits for the year reached SR952 million, compared to SR202 million in the previous year.

The group reported its highest income from core operations of SR851 million which is three times what it had achieved three years ago. At the beginning of 2009, Savola projected its full year profits, excluding capital gains and exceptional items, would be SR800 million.

Announcing the results at a press conference, Savola Group Managing Director Sami M. Baroum said the operating results broke records across the board compared to those of a year ago. Gross profit for Q4, 2009, reached SR747 million compared to SR272 million for the same period of 2008, a 175 percent increase. Income from operations for 2009 reached SR1.35 billion, a 102 percent increase over the previous year results, driven by the stability in raw material prices.

The group continued to maintain growth in all of its core operations. This was reflected in a substantial increase in sales revenues to SR18 billion, a 30 percent increase over the results of the previous year, effectively doubling its revenues of 2006. "This lends credibility to the group strategy and its ability to maintain a sustainable growth drive supported by the quality of its products, loyalty of its customers and its competitive drive in the markets where it operates," Baroum added.

The decision taken in 2008 to provide against drop in raw material prices and investment portfolio was a prudent strategic decision that emphasized the principles of fairness and transparency, while keeping the interests of the stakeholders in mind.

"It freed the group from carrying over-priced assets and has protected its cash position despite the apparent negative impact on the bottom line. This, in turn, has enabled the group to optimally liquidate low performing assets and seize on opportunities to increase its stake in companies it operates and manages buying productive assets in its own core businesses at attractive prices despite a tight credit market," he added.

The group generated SR2,300 million in cash from operations in addition to SR700 million being generated from sales of assets. The

Group invested SR700 million in capital expenditure and expansion plans. It also invested SR1,200 million in buying minority stakes in our core businesses as well as to fund dividend payments.

The foods sector has advanced on various fronts. Sales volumes for the sector grew by 22 percent to reach 3.2 million tons in the oil and sugar businesses. The sector generated a net profit of SR400 millions, a record in its entire history against SR1 million recorded for the year before, Baroum said and clarified that the stability in raw material prices had allowed the sector to focus on strengthening its brands and its distribution network which led to improving its margins and increasing its market share.

Its retail sector achieved yet another record in sales reaching SR7.3 billion, an increase of 30 percent over a year ago. The number of stores operated reached 113 in both Panda and Hyper-Panda formats. The retail sector realized a net profit of SR84 million compared to SR113 million the year before. The Q4 results were negatively affected by the costs incurred in the integration of Gèant stores as well as provisions exceeding SR50 million made for slow-moving inventory items. The group expects profitability of the sector to return to its normal levels in the second half of 2010 as the acquired assets of Gèant reaches breakeven point.