



Savola makes record profits from operations, exceeding SR 852 Millions and announces SR 952 Millions in net profits for 2009

- **Sales and Revenues grow by 30% to reach SR 18 Billions**
- **Cash Flow from operations exceeds SR 2 Billions**
- **Net Profit for 2009 reaches SR 952 Millions**
- **Savola projects 2010 profits at SR 920 Millions**
- **Group profitability from core activities is three times what it had achieved three years ago**
- **Savola announces its 2010 targets for its key sectors for the first time**

The Savola Group announced on Monday 18th of January its Q4 and full year results for 2009 as well as its major achievements for the year.

Savola has made SR 269 Millions in net profit for Q4 compared to a loss of SR 464 Millions for the same period of 2008. Total net profits for the year reached SR 952 Millions compared to SR 202 Millions generated during the previous year. The Group reported its highest ever income from core operations of SR 851 Millions which is three times what it had achieved three years ago. At the beginning of 2009, Savola projected that its full year profits, excluding capital gains and exceptional items would be SR 800 Millions.

Dr. Sami M. Baroum, Managing Director of Savola Group, also announced that the operating results broke records across the board compared to those of a year ago. Gross Profit for Q4, 2009 reached SR 747 Millions compared to SR 272 Million for the same period of 2008, a 175% increase. Income from operations for the full year 2009 reached SR 1.35 Billions, a 102% increase over the previous year results, driven by the stability in raw material prices witnessed during the year.

The Group continued to maintain growth in all of its core operations. This was reflected in a substantial increase in Sales revenues to SR 18 Billions, a 30% increase over the results of the previous year, effectively doubling its revenues of 2006. This lends credibility to the Group strategy and to 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.

Dr. Baroum reiterated the Group's strategy of Focus and Leverage: Focus called for growing the core businesses where Savola Group has already built a competitive advantage and has achieved a high level of operational efficiency that can be reflected in a better value for the money for our customers, while leverage calls for efficient use of our strategic assets, including human capital.

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, whilst 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. The Group generated SR 2,300 Millions in cash from operations in addition to SR 700 Millions being generated from sales of assets. The Group invested SR 700 Millions in Capital expenditure and expansion plans. Savola also invested SR 1200 Millions in buying minority stakes in our core businesses as well as to fund dividends payments.

The Foods sector has advanced on various fronts. Sales volumes for the sector grew by 22% to reach 3.2 Million tons in the oil and sugar businesses. The sector generated net profits of SR 400 Millions, a record in its entire history against SR 1 Million recorded for the year before. Dr. Baroum 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.

The Retail sector achieved yet another record in sales reaching SR 7.3 Billions, an increase of 30% over a year ago. The number of stores operated reached 113 stores in both Panda and Hyper-Panda formats. The retail sector realized a net profit of SR 84 Millions compared to SR 113 Millions the year before. The Q4 results were negatively affected by the costs incurred in the integration of

Gèant stores as well as provisions exceeding SR 50 Millions made for slow-moving inventory items. The Group expects profitability of the sector to return to its normal levels in the second half of this year 2010 as the acquired assets of Gèant reaches breakeven point.

The Plastics sector has also witnessed a remarkable growth in volumes processed. Sales revenues grew by 21% and volumes processed exceeded 100 Thousand tons of resins. This made the sector the largest PET bottle producer in the Gulf region. The sector achieved a net profit of SR 103 Millions against SR 57 millions the previous year. This improvement was largely driven by the drop in raw material prices as well as improvements in efficiencies in operations.

Dr. Baroum has also emphasized the various **Corporate Social Responsibility** programs (CSR) supported by the Group in 2009 that comes in line with the declared strategy and policy of Savola to act on its social responsibility obligation and contributes actively toward the development of the communities it operates in. Among these programs are:

1. Establishing **Savola Center for Empowering of the Disabled Persons** that targets to train and help place 2000 persons with disabilities by 2012.
2. Establishing and operating the **Saudi Institutes for Retail Sales and Marketing**, which aims at training and placement of 10,000 young Saudis in collaboration with the Technical and Vocational Training Corporation and support from HRDF.
3. Supporting of **victims of the floods in Jeddah**, in collaboration with Panda, the Birr Society, and the Prince Majed foundation.
4. Sponsoring the "**Leave the Change for them**" campaign, now in its third year running.
5. Launching of the **Madina Institute for Leadership and Entrepreneurship (MILE)** that aims to develop and train executive talent in the region.
6. Participating in **Injaz Saudi Arabia**, a project that seeks to foster, encourage and promote young talent in Saudi Arabia.

This is in addition to the Group supporting various Governmental and Civil Society Organizations helping their efforts to achieve their goals in the service of the community.

Looking forward to 2010, Dr. Baroum announced that the Savola Group targets a net profit of SR 920 millions for the year excluding any capital gains and exceptional items that may be realized such as those expected from IPOing of Herfy, which is expected to generate SR 200 Millions in capital gains for the Group in 2010. He also announced that the Groups target for the 1st Quarter 2010 is SR 180 Millions which excludes capital gains and exceptional items.

The Group continued its strategy of increasing transparency and Dr. Baroum detailed the sector-wise projected profits for 2010. Net Income from the Foods Sector is expected to reach SR 450 Millions, with Retail generating SR 190 Millions, and Plastics delivering SR 120 Millions during the year. In addition the Group will also book its share of profits from key investments such as Al-Marai, Herfy and Kinan.

In continuation of the Group's policy of distributing quarterly dividends on a regular basis to its shareholders, Dr Baroum said that the Savola Groups Board of Directors had approved the distribution of SR 0.25 per share or a total of SR 125 million (or SR 0.25 per share) as dividends to shareholders for the fourth quarter of fiscal year 2009 to registered shareholders at the date of the AGM, tentatively scheduled for April 18, 2010. With this distribution, shareholders will have received a total of SR 500 Millions in 2009, or One Riyal per share. This trend reflects the commitment of Savola to provide a stable dividend stream to its shareholders.