Focusing Delivering Growing

Annual Report 2012

The Savola Group

بسم الله الرحمن الرحيم

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

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2012 Major Financial Indicators

Net Revenues

27,391 million SAR

Net Profit

1,402 million SAR

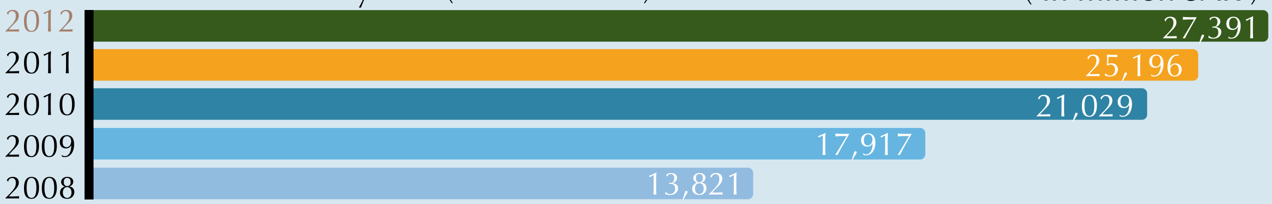
Shareholders' Equity

8,287 million SAR

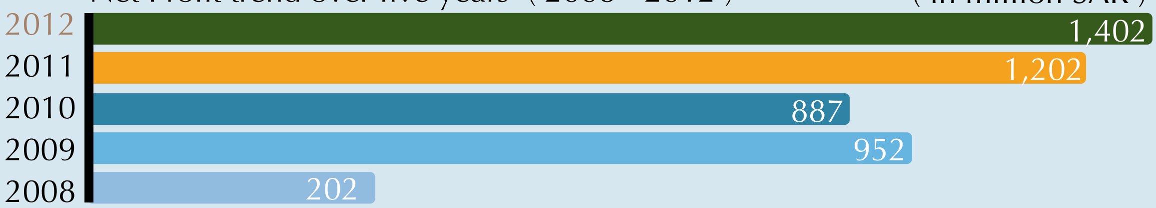
Total Assets

23,341 million SAR

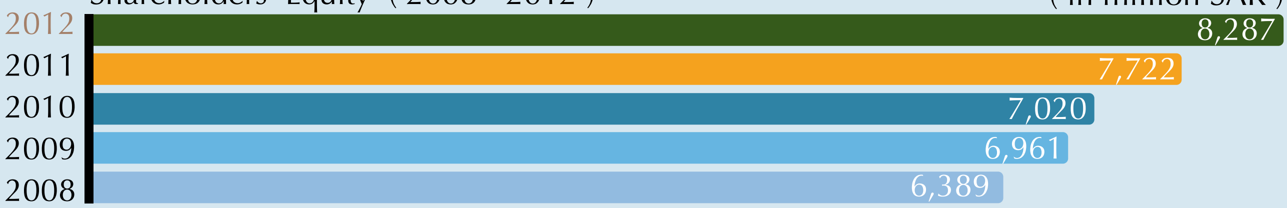
Revenues over five years (2008 - 2012) (in million SAR)



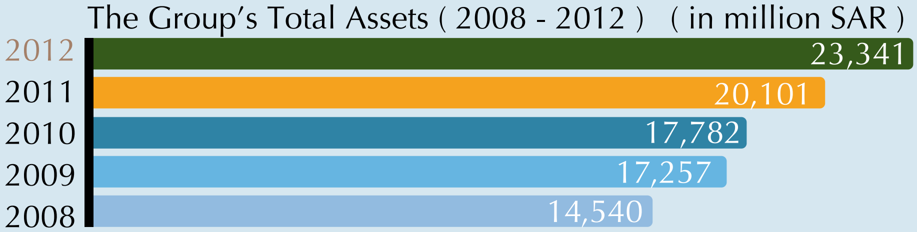
Net Profit trend over five years (2008 - 2012) (in million SAR)



Shareholders' Equity (2008 - 2012) (in million SAR)

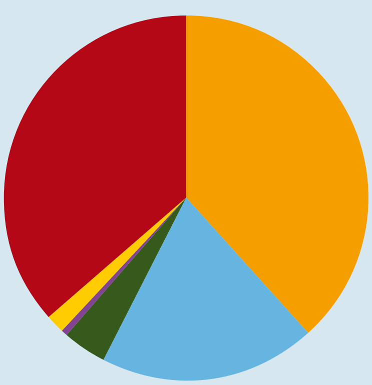


The Group's Total Assets (2008 - 2012) (in million SAR)



Main sectors contributions in the Group's overall revenues/sales for 2012.

Food Oils	38.1%	Pasta	1.6%
Sugar	19.4%	Retail	36.6%
Plastic	3.8%	Others	0.5%



Executive Summary

Dear Respected Shareholders,

The Board of the Savola Group has the honor to present the Annual Report (the Report) for the fiscal year ended December 31, 2012 for discussion and approval. This Report includes the Chairman's and Managing Director's statements and a summary of the performance of the Group and its subsidiaries across all business sectors, locally and overseas. In addition, this report presents the Group's strategic direction, specific analyses, performance indicators and 2013 financial projections. This Report also highlights the Group's efforts in Corporate Social Responsibility (CSR); Corporate Governance (CG) application, Human Resources activities, Information Technology programs developed for the benefit of the employees and CSR programs adopted by the Group. Further, the Report contains a summary describing the Group's compliance with CG disclosures, and guidelines related to the formation of the Board of Directors, its remuneration, functions, structure, functions of its sub-committees, Senior Executive's compensation and related party transactions information. The report also includes disclosure statements of the Board on the extent of the compliance with the Corporate Governance regulations issued by the Saudi Capital Market Authority (CMA). Finally, the conclusion includes a thank you note to the Shareholders and Employees across the Group for their support, effort and contribution towards the excellent performance that was achieved by the Group during 2012.

This report has been prepared in line with the requirements of the CMA regulations especially Article (43) of Corporate Governance and Disclosure Standards, Listing Rules Article (9) and the Corporate Governance code. In addition, regard has been given to the laws of the Ministry of Commerce and Industry (MOC&I) and other regulations, and best international practices in the field of Corporate Governance and Transparency.

During 2012, the Group achieved a record performance in terms of net profit, revenues and other KPIs, that are detailed in this report. Moreover, the Group Board of Directors, Executive Management, and with the support of its shareholders and investors continued its efforts to achieve outstanding results in all its core operating activities, while monitoring compliance with applicable laws and regulations.

Finally, this report includes the Group's Audited Financial Statements, the Related Notes, and the Auditors' Report for the fiscal year ended December 31, 2012.

We hope this report will reflect the Group's overall performance and business developments during 2012, and we will be pleased to receive and answer your questions related to the content of this report during the General Shareholders Assembly Meeting scheduled on March 16, 2013. We also hope to obtain your ratification on this report during the meeting, including all financial and non-financial information, strategic direction and agenda detailed herein.

Savola Group Board of Directors

February 2013

Board of Directors

Sitting L to R: Dr. Sami Mohsen Baroum | Mr. Sulaiman A. Al Muhaidib. Chairman | H. E. Eng. Abdullah M. Rehaimi, Vice Chairman | Dr. Abdulraouf Mohammed Mannaa, Group Managing Director
Standing L to R: Mr. Mohammed Abdulqader Al Fadi | Mr. Ibrahim Mohammed Al Issa | Mr. Mousa Omran Al Omran | Mr. Abdul Aziz Khaled Al Ghufaily | Mr. Badr Abdullah Al Issa | Dr. Ghassan Ahmed Al Sulaiman | Mr. Ammar Abdul Wahed Al Khudairy

Statement of the Chairman of the Board of Directors

In the Name of Allah, Most Compassionate, Most Merciful

It gives me great pleasure to welcome all Savola shareholders and investors and to take you through the Group's 2012 Annual Report highlighting the Group's performance and the development of its business for the year ended December 31, 2012. I am pleased to share with you the historic and unprecedented results that were achieved by our Group during the year 2012 with the grace of Allah and with your support. The Group reported SAR 1.4 billion net profit which is an increase of 16.7% as compared to last year and an increase of 12.5% over the announced projections You will find more details and analysis on the Group's performance in the contents of this annual report.

As a result of this record performance by the Group, and in continuation of its declared policy to distribute quarterly cash dividends to its shareholders, the Group's Board of Directors approved the distribution of SAR 250 million, (i.e. SAR 0.50 per share) as dividends for the 4th quarter of 2012. This brings the total amount of cash dividends distributed to SAR 700 million, representing 50% of the total net profits achieved in 2012. This recommendation is included in the agenda of the General Assembly for approval among other items.

In accordance with the Group's policy of enhancing its disclosures and transparency with its shareholders and investors in the stock market , the Group has announced its financial projections for the year ending 2013, whereby the Group is expected to achieve SAR 1.5 billion net profit (before capital gains and exceptional items). The forecasted net profit (before capital gain and exceptional items) for the 1st quarter of 2013 is expected to reach SAR 260 million, Inshallah. The Group will update the stock market with regards to progress in achieving these projections on a quarterly basis.

In line with the Group's strategy to diversify financing and liquidity sources, an Extraordinary General Shareholding Assembly, held during 2012 approved the setup, of a Shariah compliant Sukuk programme with a value not exceeding the Company's share capital of SAR 5 billion. We have been successful in January 2013 in issuing the first tranche of these Sukuk with a value of SAR 1.5 billion, achieving a 260% oversubscription.

The Group continued the implementation of its strategic plans which were announced in its previous Annual Report. This stipulated that the Group will continue to focus on its core businesses by giving them more independence and flexibility in running their business and creating their future strategies and plans which will ultimately transform the Savola Group into a financial holding company. The Board organized a series of workshops and meetings during 2012 to crystalize the strategies and the ambitious plans to reinforce this strategic direction and to support the Group's competitive role in the markets in which it operates, taking into consideration the economic and political changes that the region is witnessing in general and in the markets in which Savola operates in particular. Through doing this the Board of Directors will enhance the performance of these sectors whilst allowing the Board to focus on strategic matters and to create new and diverse investment projects that will add value to the Groups existing investment portfolio.

In conclusion, I would like to take this opportunity, on behalf of my colleagues the Members of the Board, to express my deepest appreciation and gratitude to our wise Government and its institutions for their continuous support of the private sector. I would also like to thank our shareholders and investors for their continuous support and trust and equally would like to thank the Executive Team of the Group and staff in the Kingdom and outside for their superb efforts and for the record results achieved by the Group during 2012 and hope that these achievements will continue in 2013. I look forward to seeing you in the upcoming Shareholders' General Assembly scheduled to take place on March 16, 2013 Inshallah to answer all your queries and any related questions regarding this report.

May Allah the All Mighty grant us success.

Sulaiman Abdulkader Al Muhaidib
Chairman of the Board

Statement of the Group Managing Director

Distinguished Savola Group Shareholders,

In the Name of Allah, Most Compassionate, Most Merciful

I am pleased to welcome you, to The Savola Group Annual Report for 2012, in which we always focus on making you familiar with the Group's performance and providing the latest updates across the various businesses and activities inside and outside the Kingdom.

Your Group, with the Grace of Allah, was able to achieve record results in 2012. The Group reported SAR 1.4 billion net profit which is an increase of 16.7% as compared to last year and an increase of 12.5% over the announced projections for 2012 of SAR 1.32 billion. The increase in net profits in 2012 compared to the same period last year is attributed to the outstanding and unprecedented performance of the Group's Foods Sector operations outside KSA as well as increased sales across all sectors of the group.

In 2012, the Savola Group successfully acquired additional shares in Almarai Company for SAR 2 billion increasing its total shareholding in the company from 29.95% to 36.52%. This increase reinforces the Group's strategy to realize greater growth and expansion in its Core investments, which includes the Food Sector, while at the same time reflecting the Group's confidence in the leadership of Almarai Company.

This report highlights the Food Sectors continuous focus and expansion of its operations inside and outside the Kingdom, despite the economic and political challenges in the markets in which it operates. The Sector achieved outstanding results in most of its business-lines including edible oils, ghee, pasta, and sugar both locally and regionally. Panda succeeded in increasing the number of its hypermarkets and supermarkets to 181 outlets, of which 145 are in the Kingdom and the remaining are overseas. This was achieved despite the strong competition in the retail sector in the Kingdom. The Plastics Sector was able to maintain its profitability, increasing its sales and diversifying its product base and securing new local and regional customers. This was achieved despite the increase in the price of raw materials and the increase in competition in the markets in which it operates. You will see more details on the performance of each of the Core sectors and the non-managed Savola investments inside this Annual Report.

With regards to human resources, the Group takes pride in employing 5,500 Saudi nationals amongst its workforce of 13,500 within the Kingdom, this represents a 40% Saudisation level of its total workforce in the Kingdom. The majority of the executive teams within the Group comprise of highly qualified Saudi nationals. In this context, the Group continued implementing its strategy of employing Saudi nationals. During 2012, the Group hired 40 Saudi management trainees fresh out of university in the Group and its operating companies in the Kingdom. Efforts will continue to accommodate more Saudi nationals in 2013 as part of the Group's initiative to develop managers and inject a new breed of future leaders within the Group and its subsidiaries.

In the field of Corporate Governance and Corporate Social Responsibility, more efforts have been made to serve the community by facilitating the employment of people with disabilities through the Group's Center for Empowering people with Disabilities (Makeen) as well as other Savola programs, named (Savola Bridges), which will be highlighted later in this report. The Group continues its commitment to implement its Corporate Governance practices and all relevant procedures and best practices to reinforce the Group's Transparency and Disclosure, and thereby contribute to preserving shareholder rights.

We thank the Almighty Allah for what has been achieved in reporting a record performance and results in 2012, as has been highlighted in this report, and thereby providing you with a comprehensive overview of the development of the Group's business in order to help you make your investment decisions and understand Savola's business and strategic direction for 2013.

We ask the Almighty Allah to grant us success and, for us to achieve better results and outstanding performance to fulfill the announced 2013 financial projections indicated by the Chairman of the Board in his statement, as part of the Group's commitment to achieve a higher return for our shareholders, serve our national economy, and participate in the development of the community.

It gives me pleasure to express my appreciation and gratitude to the wise leadership of this nation for its continuous support of the business sector and to our shareholders and Sukuk holders for their confidence and continued support and all Savola employees inside and outside the Kingdom for their valued efforts which have helped to achieve the unprecedented results that we have detailed in this report.

Thank you all and best regards,

A. Mannaa

Dr. Abdulraouf M. Mannaa

Group Managing Director

Executive Team

Dr. Abdulraouf Mohammed Manna
Group Managing Director

Mr. Abderrahim Maaraf
Chief Executive Officer
Savola Foods Company

Mr. Mahmoud M. Abdul Ghaffar
Chief of Corporate Affairs & Board Secretary

Mr. Gerard Lawlor
Chief Financial Officer (CFO)

Eng. Azhar M. Kenji
Chief Executive Officer - Plasitc Sector

Mr. Muwaffaq M. Jamal
Chief Executive Officer - Azizia Panda United Co.

The Directors Report:

1) Agenda of the Shareholders Annual General Meeting
2) Description of the Main Activities of the Company
3) Performance Summary Review and Financial Analysis for 2012 and Projections for 2013
4) Operating companies Performance and Results for 2012 (By Sectors)
5) The Savola Group Non-Managed Investments
6) Human Resources & Information Technologies and Corporate Citizenship Programs
7) Savola Group Corporate Social Responsibility (CSR) Programs
8) Governance & Transparency Report

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1) Agenda of the Shareholders Annual General Meeting

1) Agenda of the Shareholders Annual General Meeting

As part of this Annual Director's Report, the following table shows the Agenda of the Shareholders Assembly Meeting for 2012 which will be held on Saturday 16th of March, 2013:

1)	Discussion and approval of the Final (Audited) Accounts and Auditors' Report for the fiscal year ended December 31, 2012.
2)	Discussion and approval of the Board of Directors' Annual Report for the year ended December 31, 2012.
3)	Approval of the Board of Directors' recommendation to distribute cash dividends for the fourth quarter of the year 2012 amounting to SAR 250 million (SAR 0.50 per share - which is equal to 5% of the Company's nominal share capital), in addition to the ratification of the total dividends already distributed to the shareholders for the first three quarters of the year 2012 amounting to SAR 450 million (SAR 0.90 per share, which is equal to 9% of the Company's nominal share capital). Thus, the total dividend per share for the year 2012 will equal to (SAR 1.40 per share), raising the total dividends already paid and to be paid to SAR 700 million, which is equal to 14% of the Company's nominal share capital. The maturity date for the fourth-quarter 2012 cash dividends will be distributed to shareholders registered in the Company books at the close of trading on the date of the General Assembly Meeting on March 16, 2013. The date of distribution will be announced after securing the approval of the shareholders at the General Assembly Meeting.
4)	Absolve the Board of Directors from any liability pertaining to the management of the Company for the year ended December 31, 2012.
5)	Approve to pay the Board of Directors Remuneration for the Fiscal Year 2012 in the amount of SAR 2.2 million (i.e SAR 200,000 for each Director).
6)	Approve the recommendation of the Audit Committee to appoint the Group's external auditor, and specifying their fees, for auditing the Group's quarterly and final accounts for the year ended December 31, 2013.
7)	Ratification of related parties transactions and contracts that were executed with related parties during 2012 and renew them for the coming year, as outlined in the Board of Directors' Annual Report for 2012 (see item (i) page No. 73) and also as published on the Tadawul web site.
8)	Approval to amend item (K) of Article (3) (The Company's Objectives) in the company's articles of association, by adding the word "sell" to be read as follows: "To purchase & sell land, real estate and factories required for the realization of the Company's objectives."
9)	Elect the Board of Directors for the new office term, to commence from July 1, 2013, for a period of three years, as per the nominees list approved by the Ministry of Commerce & Industry.

2) Description of the Main Activities of the Company

2) Description of the Main Activities of the Company

The Savola Group was established in 1979, with the objective of manufacturing and marketing edible oil and vegetable ghee in Saudi Arabia. It is now one of the most successful and fastest growing multinational food groups in the Gulf and the Middle East Region, North African and Central Asian countries, and has a wide portfolio of businesses including Edible Oils, Vegetable Ghee, Sugar, Noodles/Pasta, Retail (Hypermarkets and Supermarkets) and Plastics (flexible and rigid). The Group also has significant investments in leading publicly-listed Saudi companies, investment funds and real-estate businesses. This report covers its activities and the performance of its core sectors, investments and real estate operations, and their contribution to the results of the Group. Listed below are the Groups' subsidiaries and associates in KSA and overseas, their core activities, and country of incorporation:

Ser	Company name	Country of Incorporation	Core activities	Country presence	Ownership % (Direct & indirect)	Capital As per Nominal Share Value
First: Foods Sector						
1	Savola Foods Co. (SFC)	KSA	Foods (Edible Oils, Sugar & Pasta)	Holding Company manages the Group investment in Foods Sector in KSA & overseas	90%	SAR 2.2 billion
2	Afia International Co.	KSA	Edible Oils & Fats & Pasta	KSA, Gulf, Yemen, Egypt, Iran, Turkey, Kazakhstan	95.19%	SAR 500 million
3	Savola Foods Emerging Markets Company *	Virgin Island (Britain)	Edible Oils	Algeria, Sudan, Morocco	95.4%	SAR 130 million
4	United Sugar Company	KSA	Sugar cubes, Beet sugar and Sweeteners	KSA, Egypt, exports its products to most Arab Countries	74.4%	SAR 395 million
5	Al-Malika Foods Industry Co.	Egypt	Manufacturing Pasta	Egypt	100%	EGP 50 million
6	Al Farasha Foods Industry Co.	Egypt	Manufacturing Pasta	Egypt	100%	EGP 20 million
Second: Retail Sector:						
7	Al-Azizia Panda United	KSA	Retail (Hypermarkets & Supermarkets)	KSA, Dubai, Lebanon, Qatar	74.4%	SAR 652.8 million
Third : Plastic Sector:						
8	Savola Packaging Systems Co.	KSA,	Plastics (Flexible & Rigid)	KSA, Egypt, exports its products to more than 20 countries globally	100%	SAR 342.4 million
9	New Marina Plastics Co.	Egypt	Plastics	Egypt	100%	EGP 30 million
10	Al-Sharq Plastic Co.	KSA	Plastics	KSA	100%	SAR 61.6 million
Fourth: Investments Sector (Non- Managed By The Group)						
11	Herfy foods Services Co.	KSA	Foods & Fast Food Restaurants	KSA & some GCC Countries	49%	SAR 300 million
12	Almarai Co.	KSA	Fresh Food products	KSA & regional countries	36.5%	SAR 4 billion
13	Kinan International Real Estate Development Co.	KSA	Real Estate Development	KSA	29.9%	SAR 1.7 billion
14	Knowledge Economic City Co.	KSA	Real Estate Development	KSA	17%	SAR 3.4 billion
15	Tameer Co. (Jordan)	Jordan	Real Estate Development	Jordan	5%	JOD 260 million
16	Dar Al Tamlik Co.	KSA	Real Estate Development	KSA	5%	SAR 1 billion

* **Note:** Some of the main subsidiaries listed above also have subsidiary companies or affiliates in the Middle East, North Africa and Central Asia. The details of their performance and the Group's ownership percentage in each entity are detailed later in this report. In addition, further details can be found in the audited financial statements that accompany this report.

3) Performance Summary Review and Financial Analysis for 2012 and Projections for 2013

a) Summary of Financial Performance & Analysis for 2012.

The Savola Group achieved a record net profit of SAR 1.4 billion for 2012, an increase of 16.7% as compared to last years SAR 1.2 billion. The gross profit for 2012 amounted to SAR 4.76 billion, an increase of 19.9% compared to last years SAR 3.97 billion. The operating profit for 2012 amounted to SAR 2.46 billion, an increase of 36.7% compared to last years SAR 1.80 billion. The earnings per share for 2012 of SAR 2.80, compares to SAR 2.40 for last year. The increase in the Groups profits for the year 2012 compared to last year is attributed mainly to the outstanding performance of its operations in the Foods Sector and the continued growth of revenues across all sectors, which at SAR 27.4 billion is an increase of 8.7% compared to last years SAR 25.2 billion, increased market share in the Retail Sector and a capital gain of SAR 47 million from the sale of Emaar Economic City shares.

The Group also recorded its highest ever net income of SAR 1.35 billion, for the year 2012 (before capital gain & exceptional items), which is 2.3% higher than the revised forecast of SAR 1.32 billion issued with the results and 12.5% more than the original forecast of SAR 1.2 billion announced at the start of 2012. This was achieved despite challenges in many of the markets in which the Group operates. It is worth mentioning that the revenues and income of the Group fluctuates seasonally during the year (in particular during Ramadan and Hajj seasons).

b) Major Highlights of 2012:

- **The Group Strategic Direction:** The Group continued implementing its strategic plan during 2012, aimed at placing focus on its core businesses (Foods, Retail, and Plastics Sectors) through acquisitions, expanding the products base regionally and globally and increasing production capacity. In addition, a new fourth business sector will be created to enhance further the Group's core activities. This plan will see the Savola Group gradually transform itself into a financial holding company.
- **The Group's shareholding increased in Almarai:** The Group acquired additional shares in Almarai for a total cash consideration of SAR 2 billion. As a result, the Groups shareholding has increased from 29.95% to 36.52%. This is in line with the Groups strategy of further growing exposure in its core Sectors, and consistent with the Group's previous actions of increasing its shareholding in Almarai Company from 26.5% to 29.95% in 2010.
- **Sukuk Program:** Aligning with the Group's strategic direction to diversify its finance sources, the Group completed in 2012 the regulatory requirements to create a Sukuk program to issue Sukuk through multiple tranches, in accordance with Islamic Shari'ah, not exceeding its paid-up capital of SAR 5 billion. The program was approved by the Board of Directors and the shareholders through an Extraordinary General Meeting. In January 2013 the Group completed, the first issue under this program. The issue had a value of SAR 1.5 billion, and a tenor of 7 years, and has been offered at face value with an expected variable return to the Sukuk holders of 6 months SIBOR + 1.10% The total subscription orders for the Sukuk amounted to approximately SAR 4 billion (oversubscribed by approximately 260 %).
- **Savola Foods Company (SFC):** SFC achieved consolidated revenues exceeding SAR 16.3 billion, an increase of 7.7% over last year. Moreover, consolidated net profit amounted to SAR 626 million which is 28% higher than last year.
- **Al-Azizia Panda United Company (APU):** APU revenues exceeded SAR 10 billion for the first time, and it achieved a net profit of SAR 311.4 million which represents an increase of 55.5% over the SAR 200.1 million reported for last year. APU increased its number of stores to reach 181 stores (hypermarkets & supermarkets), including 145 stores in the Kingdom, this despite the strong competition in the sector. APU also achieved a Saudisation percentage of 39% of its total workforce in the Kingdom.
- **Plastics Sector:** Sales at SAR 1.05 billion exceeded the SAR 1 billion mark for the first time, this represents, an increase of 5.2% over last year.
- **Purchase of New Headquarters:** The Savola Group has signed a contract to purchase the East Tower of "The Headquarters Business Park" to be the new Headquarters for the Group and operating companies (OpCos). The Tower consists of 16 floors, including the ground floor, with a total area of 13,404 square meters and has a total cost of SAR 134 million. The main construction work for the East Tower has been completed and work is underway to complete the finishing, electricity connections, elevators installation, and the IT infrastructure which is expected to be completed during 2013.

- **Corporate Governance and Social Responsibility:** During 2012 The Group continued its efforts in Corporate Social Responsibility (Savola Bridges) by contributing to the development of the community through its major initiative Makeen Center for training and employing people with disabilities and other CSR bridges. The Group's efforts to enhance Corporate Governance under its initiative (Savola Pledges) continued by adopting and complying with Saudi Capital Market (CMA) regulations, Ministry of Commerce and Industry laws and other international best practices in the area of Corporate Governance. The main objectives of the Group in enhancing Corporate Governance is to protect Shareholders rights, to fulfill the roles and responsibilities of the Board of Directors and its sub-committees and to further enhance Disclosures and Transparency through effective corporate communication channels such as Tadawul, Savola and subsidiaries websites, and other media channels.

c) Forecast for 2013:

The Group expects to achieve SAR 1.5 billion (before capital gain and exceptional items) by the end of 2013, and the forecasted net income (before capital gain and exceptional items) for the 1st quarter of 2013 is expected to reach SAR 260 million, Inshallah.

d) Overall Financial Performance Review & Comparison for 2012:

The following is a table which presents the Group's overall financial performance and each sectors' contribution to the overall results for 2012.

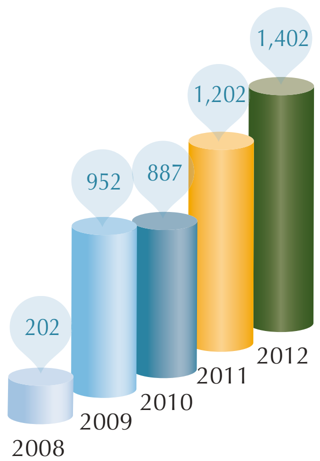
d-1) Overall Financial Performance Review for 2012:

d-1-1) Consolidated Income Statement, five-year comparison (2008-2012):

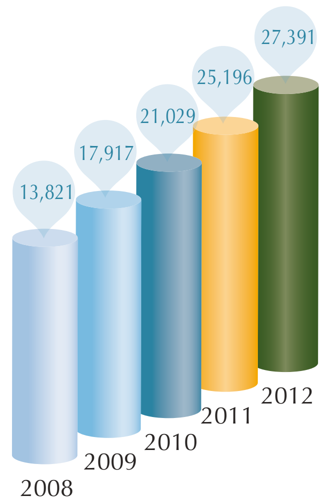
Income Statement	2012 SAR'000'S	2011 SAR'000'S	2010 SAR'000'S	2009 SAR'000'S	2008 SAR'000'S
Revenues—net	27,391,493	25,195,702	21,029,472	17,917,202	13,821,377
Cost of sales	(22,629,925)	(21,224,980)	(17,614,233)	(14,809,887)	(12,007,054)
Gross profit	4,761,568	3,970,722	3,415,239	3,107,315	1,814,323
Share of profits (losses) of Associates and jointly controlled entities and dividend income—net	578,567	440,613	459,522	352,799	335,174
Other income—net	73,721	96,767	97,340	79,877	110,526
Total income	5,413,856	4,508,102	3,972,101	3,539,991	2,260,023
Selling and Marketing	(2,367,292)	(2,144,813)	(1,870,153)	(1,533,574)	(1,123,033)
General and Administrative	(590,317)	(562,472)	(603,138)	(628,783)	(465,491)
Total expenses	(2,957,609)	(2,707,285)	(2,473,291)	(2,162,357)	(1,588,524)
Income (loss) from Operations	2,456,247	1,800,817	1,498,810	1,377,634	671,499
Gain (loss) on Disposal of Investments	46,651	152,781	195,055	318,116	147,980
Impairment of Assets and Projects Written-off	-	(35,366)	(283,716)	(221,596)	(442,406)
Financial charges—net	(427,381)	(317,472)	(244,260)	(227,337)	(153,658)
Income (loss) before Zakat and income tax and minority interests	2,075,517	1,600,760	1,165,889	1,246,817	223,415
Zakat and income tax	(268,148)	(132,024)	(140,146)	(63,323)	(53,387)
Net income before Zakat, income tax and minority interests	1,807,369	1,468,736	1,025,743	1,183,494	170,028
Share of minority interests in the net income (loss) of consolidated subsidiaries	(405,160)	(266,360)	(139,041)	(231,929)	32,330
Net income	1,402,209	1,202,376	886,702	951,565	202,358

d-1-2) Revenues & Net income, five-year comparison (2008 – 2012):

Net Income (2008-2012)
In SAR million



Revenues (2008-2012)
In SAR million



d-1-3) Consolidated Income Statements, comparison (2011-2012)

Income Statement	2012 SAR'000'S	2011 SAR'000'S	Variance + or (-) SAR'000'S	Variance %
Revenues—net	27,391,493	25,195,702	2,195,791	8.7%
Cost of revenue	(22,629,925)	(21,224,980)	(1,404,945)	6.6%
Gross profit	4,761,568	3,970,722	790,846	19.9%
Share of profits (losses) of Associates and jointly controlled entities and dividend income—net	578,567	440,613	137,954	31.3%
Other income—net	73,721	96,767	(23,046)	-23.8%
Total income	5,413,856	4,508,102	905,754	20.1%
Selling and Marketing	(2,367,292)	(2,144,813)	(222,479)	10.4%
General and Administrative	(590,317)	(562,472)	(27,845)	5%
Total expenses	(2,957,609)	(2,707,285)	(250,324)	9.2%
Income (loss) from operations	2,456,247	1,800,817	655,430	36.4%
Gain (loss) on disposal of investments	46,651	152,781	(106,130)	-69.5%
Impairment of Assets and Projects written off	-	(35,366)	35,366	-100%
Financial charges—net	(427,381)	(317,472)	(109,909)	34.6%
Income (loss) before Zakat and income tax and minority interests	2,075,517	1,600,760	474,757	29.7%
Zakat and income tax	(268,148)	(132,024)	(136,124)	103.1%
Net income before minority interests	1,807,369	1,468,736	338,633	23.1%
Share of minority interests in the net income (loss) of consolidated subsidiaries	(405,160)	(266,360)	(138,800)	52.1%
Net income	1,402,209	1,202,376	199,833	16.6%

* **Note**: The reasons for the main variances in profitability and operating results for 2012 compared to last year are described in item a) above.

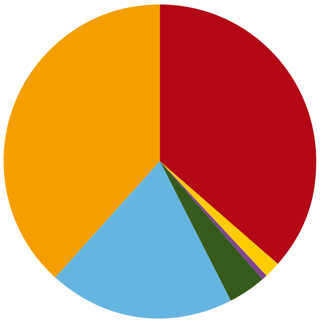
d-1-4) Geographical analysis of revenues/sales of The Group and its subsidiaries by product family/brand for 2012 compared to last year:

By Country	By Products/Brands	2012	2011
Edible Oil & Vegetable Ghee Sales		SAR'000'S	SAR'000'S
KSA, Gulf &Yemen	Afia, Al-Arabi, Olite, Almaida, Shams, Sun Glow, Dalal, Canola Afia	2,444,083	2,524,929
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	1,111,564	1,049,533
Iran	Ladan, Aftab, Bahar, Afia	4,404,416	3,361,119
Kazakhstan	Lito, Khazayoushka	174,013	210,684
Sudan	Al Taeb, Sabah, Sudani	615,351	550,968
Morocco	Afia, Hala,	279,877	279,316
Turkey	Yudum and Sirma	887,353	813,698
Algeria	Afia, Olyour	661,544	524,022
Intercompany Sales Elimination		(13,524)	(2,328)
Total of Edible Oil Sales (1)		10,564,677	9,311,941
Pasta Products Sales:			
Total of Pasta Products Sales (2)	Malika, Macaronto, Italiano	*449,100	50,616
Sugar Sales:			
- KSA, GCC and Yemen	Al Osra, Ziadah, Safaa, Nehar , Halla, Sweeva	3,766,872	4,082,008
- Egypt (USCE)	Al Osra	1,608,033	1,779,353
Total of Sugar Products Sales (3)		5,374,905	5,861,361
Retail Sales (Panda Stores)			
- KSA	Hyper Panda & Supermarket Panda (APU)	9,519,050	8,574,156
- United Arab Emirates/ Dubai	Hyper Panda	309,553	310,700
- Lebanon Republic	Supermarket	327,919	296,695
Total of Retail Sales (4)		10,156,522	9,181,551
Plastics Division Sales			
- KSA- Jeddah & Riyadh Factories	The plastics division manufactures a wide variety of products as requested by clients	933,665	872,181
- Egypt (New Marina)	The plastics division manufactures a wide variety of products as requested by clients	126,082	131,942
Intercompany Sales		(6,564)	(2,590)
Total of Plastic Sales (5)		1,053,183	1,001,533
Others			
- Real Estate - KSA		138,535	122,815
Total of Other activities (6)		138,535	122,815
Total Revenues		27,736,922	25,529,817
Intercompany Sales		(345,429)	(334,115)
Total Revenues / Sales		27,391,493	25,195,702

***Note**: The reason for the large increase in pasta sales in 2012 compared to 2011 is that pasta sales for 2012 represent the result of the whole year, whereas sales for 2011 represent a part of that year as the Pasta business was aquired during the fourth quarter of 2011.

d-1-5) Sector contribution by percentage to the Group's overall revenues/sales for 2012

Edible Oils	38.1%	Pasta	1.6%
Sugar	19.4%	Retails	36.6%
Plastic	3.8%	Others	0.5%

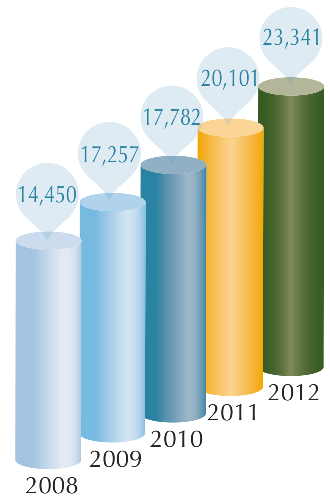


d-1-6) Consolidated Balance Sheets, five-year comparison (2008-2012):

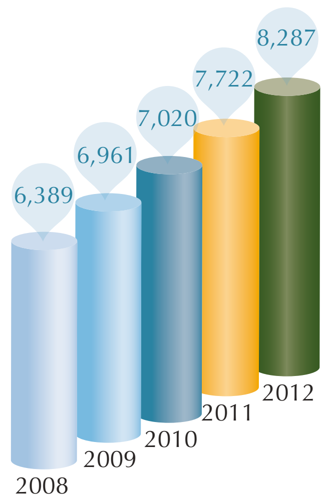
Balance Sheet	2012 SAR'000'S	2011 SAR'000'S	2010 SAR'000'S	2009 SAR'000'S	2008 SAR'000'S
Current assets (A)	8,544,892	7,773,813	5,910,643	5,633,507	4,764,430
Current liabilities (B)	9,302,929	7,740,279	6,724,128	6,313,432	6,001,606
Working capital C=(A - B)	(758,037)	33,534	(813,485)	(679,925)	(1,237,176)
Current assets	8,544,892	7,773,813	5,910,643	5,633,507	4,764,430
Other non-current assets	9,016,692	6,943,133	7,132,076	6,086,256	5,525,059
Property, plant and equipment (fixed assets)	5,779,951	5,384,430	4,739,217	5,536,761	4,250,663
Total assets	23,341,535	20,101,376	17,781,936	17,256,524	14,540,152
Current liabilities	9,302,929	7,740,279	6,724,128	6,313,432	6,001,606
Long-term loans	3,612,246	2,821,494	2,394,807	1,996,202	1,117,136
Other liabilities	544,308	468,786	448,133	418,979	284,730
Total liabilities	13,459,483	11,030,559	9,567,068	8,728,613	7,403,472
Paid-up capital	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Retained earnings and reserves	3,286,670	2,722,467	2,020,037	1,960,628	1,389,165
Shareholders' equity	8,286,670	7,722,467	7,020,037	6,960,628	6,389,165
Minority interests	1,595,382	1,348,350	1,194,831	1,567,283	747,515
Total liabilities and shareholders' equity	23,341,535	20,101,376	17,781,936	17,256,524	14,540,152

d-1-7) Shareholders' Equity and Total Assets (as per the previous table):

The Group's Total Assets Changes
For the Years 2008 to 2012
(in SAR millions)



Shareholders' equity Changes
For the Years 2008 to 2012
(in SAR millions)



e) Details of long and short-term loans of the Group and its Subsidiaries and payments made to Government Agencies:

The Group's policy has always been to adopt Islamic Shari'ah compliant processes in all its financial transactions. All loans and deposits within the Kingdom are fully Shari'ah compliant. The following are the details of long and short-term loans outstanding as of December 31, 2012.

e-1) Long-term Loans, as at December 31, 2012

Company / Business Unit	Banks / Others	2012 SAR'000's	2011 SAR'000's
Saudi Industrial Development Fund (SIDF):			
Savola Packaging Systems Co.	Saudi Industrial Development Fund	19,689	23,829
Total SIDF (A)		19,689	23,829
Commercial banks			
The Savola Group	Samba, Saudi Fransi Bank, Saudi Investment Bank and AlJazirah Bank	3,112,693	1,831,250
Al Azizia Panda United Co.	NCB, SABB	262,222	370,000
Afia International Co.	NCB, Samba, HSBC in Turkey	198,101	337,187
Savola Foods Emerging Markets Co.	Algerian and Société Générale, French Bank	38,255	30,764
United Sugar Co.	SABB, Samba, Commercial Intl. Bank of Egypt, Standard Chartered Bank Egypt.	836,682	813,598
Pasta	HSBC, National Bank, NBSG, Société Générale, NCB	-	10,969
Savola Packaging Systems Co.	SABB, Samba	55,556	60,000
Total Commercial Banks (B)		4,503,509	3,453,768
Total long-term debt (A+B)		4,523,198	3,477,597
Less current portion:			
SIDF		(5,060)	(4,140)
Commercial banks		(905,892)	(651,963)
Long-term debt		3,612,246	2,821,494

e-2) Long-term loan repayment schedule as of December 31, 2012:

Fiscal Year	Savola Group SAR'000's	Afia Int'l SAR'000's	APU SAR'000's	Savola Packaging Systems Co SAR'000's	United Sugar Co. SAR'000's	Savola Food Emerging Markets SAR'000's	Pasta SAR'000's	Total 2012 SAR'000's	Total 2011 SAR'000's
2013	0	0	0	0	0	0	0	0	1,315,217
2014	2,159,808	51,360	111,111	17,778	277,294	11,343	0	2,628,694	819,949
2015	410,577	10,413	0	5,820	125,367	8,467	0	560,644	464,606
2016	62,500	10,413	0	6,958	98,951	7,075	0	185,897	92,944
2017	15,625	10,413	0	1,851	82,596	5,466	0	115,951	59,552
2018	0	10,413	0	0	89,126	5,904	0	105,443	64,020
2019	0	10,413	0	0	0	0	0	10,413	5,206
2020	0	5,204	0	0	0	0	0	5,204	0
Total	2,648,510	108,629	111,111	32,407	673,334	38,255	0	3,612,246	2,821,494

e-3) Short-term loans with Banks & others repayable within one year :

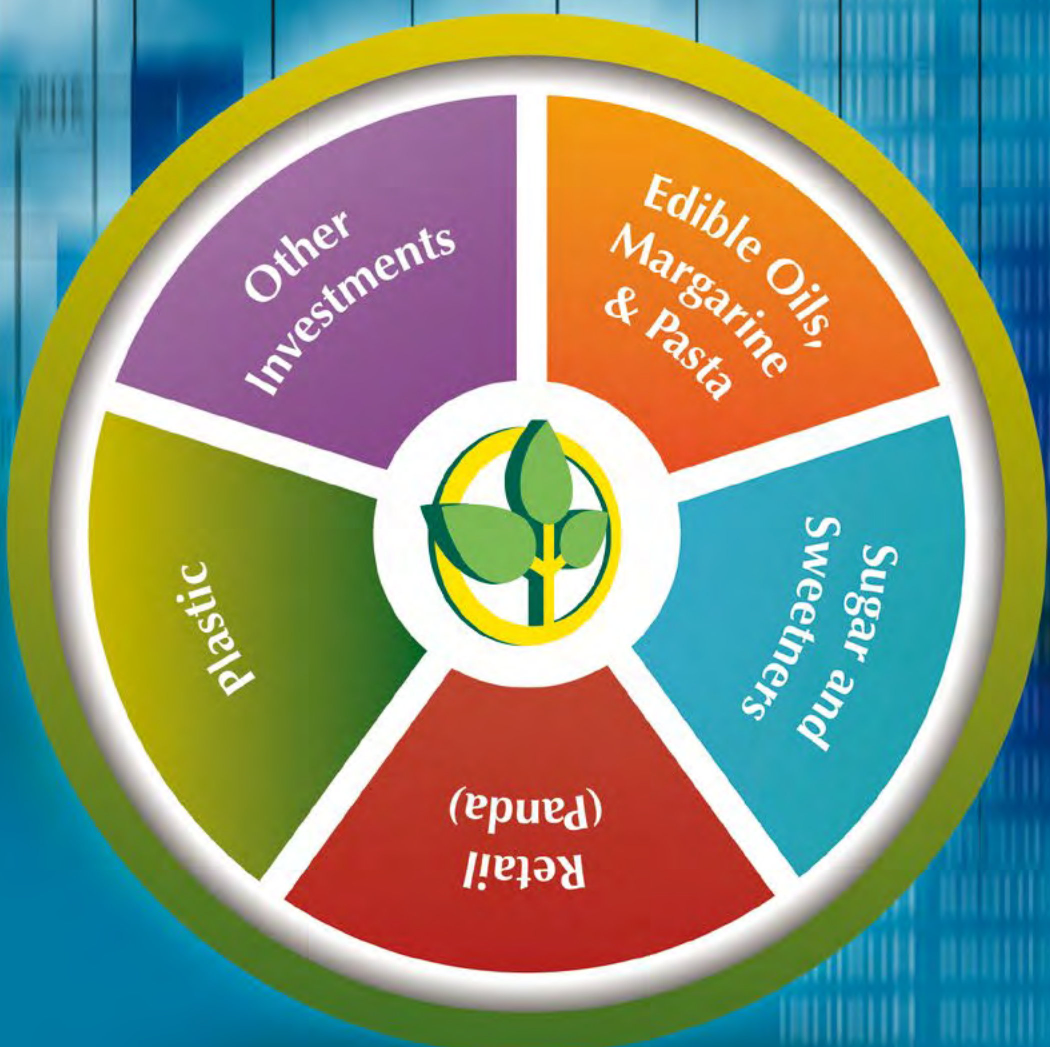
Company / Business Unit	Banks / Others	2012 SAR'000's	2011 SAR'000's
The Savola Group	Al Rajhi, Samba and Gulf Intl. Bank	1,388,500	910,853
Afia International	NCB, SABB, Samba and European, Egyptian, Iranian & Turkish Banks	1,037,391	947,296
Savola Food Emerging Markets Co.	Sudanese, Algerian & European banks	174,496	106,002
Pasta- Egypt	NBSG and Watanee Egyptian Bank	16,919	32,825
Matoun Co.	Samba	0	70,000
Savola Packaging Systems (SPS)	SABB and NCB	310,000	243,750
United Sugar Company (USC)	SABB, Samba and Islamic Development Bank and Egyptian Banks	599,969	444,703
Total of short-term debt		3,527,275	2,755,429

f) Summary of payments made to the Government during 2012 :

Item description (Payments)	2012 SAR'000's	2011 SAR'000's
Customs Duties	241,645	200,112
Zakat & Income Tax	117,037	84,440
GOSI (for KSA) & SocialInsurance (for outside KSA)	85,180	62,800
Visa and Government fees	17,804	31,925
Other duties and Government levies	3,536	19,603
Total	465,202	398,880

4) Operating companies Performance and Results for 2012 (By Sectors)

Below is a detailed report on the performance of the SG key segments and Operating Companies both inside and outside Saudi Arabia



4-1) Foods Sector
Savola Foods Company:

During 2012, SFC started the process of conversion from a limited liability company to a closed joint stock company; the legal process is expected to be completed during 2013.

The Foods Sector is the flagship operating sector of the Savola Group. Operating under the umbrella of the Savola Foods Company (SFC), SFC owns and manages subsidiaries with production facilities across 8 countries covering the North African, Middle Eastern and the Central Asian regions. SFC owns top brands in high quality edible oil, ghee and sugar products marketed across 30 countries globally, with market leadership in most of the countries in which it operates.

a) SFC Consolidated Results

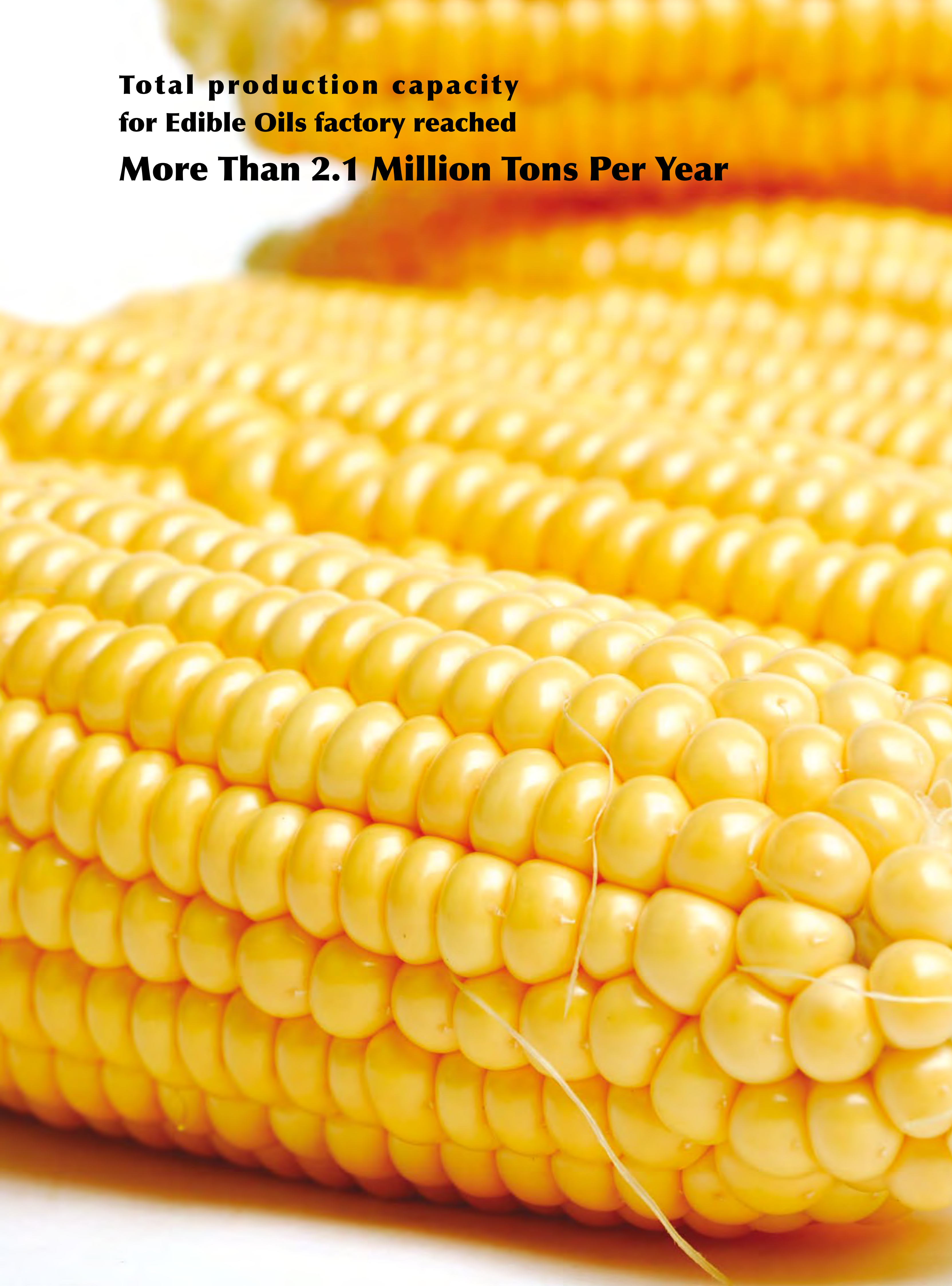
The Company reported consolidated revenues in excess of SAR 16.3 billion, representing a 7.7% growth over last year. Net Income reached SAR 626 million, which is 28% above the SAR 489 million reported last year. Amidst tough market conditions, coupled with regional political unrest, devaluation of local currencies against the US dollar and the inability to pass on high global commodity prices, the sector performed reasonably well in all mature markets as well as witnessing a turnaround in some of its emerging markets.

The Edible Oils factory in Saudi Arabia, Jeddah

Savola Foods Company achieved consolidated sales exceeding SAR 16.3 billion and recorded a net profit of SAR 626 million in 2012, this was an increase of 28% over the previous year

Total production capacity
for Edible Oils factory reached

More Than 2.1 Million Tons Per Year



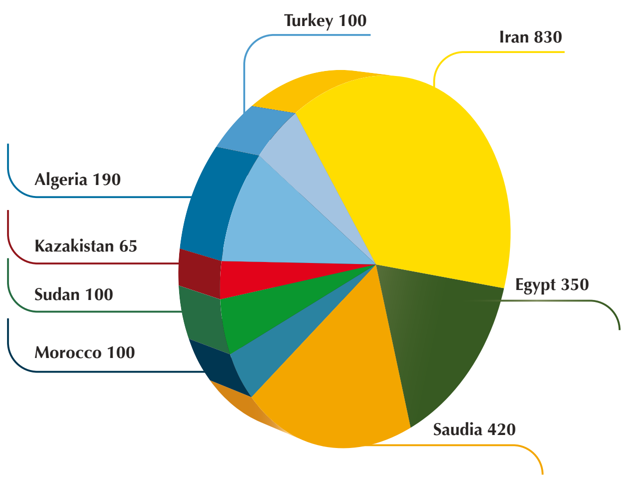
b) Edible Oils, Fats & Pasta (KSA, GCC, Yemen, Levant, Iran, Egypt, and Kazakhstan):

b-1) Afia International Company:

Afia Int. Co. (A joint stock company) is 95.19% owned by SFC. Afia primarily owns and operates edible oils operations in KSA, Iran, Egypt, Turkey and Kazakhstan.

The total production capacity for the Company's edible oils operations exceeds 2.1 million tons annually. The following chart shows the production capacity by geographic location.

Production Capacity for Edible Oils
(Thousands of tons per year)



Below are the performance details for Afia International's subsidiaries:

b-1-1) Afia operations in Arabia, Gulf & Levant:

Afia's Arabia operations are focused on the Saudi Arabian, Yemen, Gulf and Levant Markets. The production plant is based in the city of Jeddah in the Western region of Saudi Arabia, from which it provides the above mentioned markets with high quality edible oils products.

At the close of 2012, Afia Arabia continues to enjoy market share leadership across its major operating markets, with a 56% market share in Saudi Arabia, approximately 21% in the Gulf States and 30% in the Levant markets. Market share leadership continues to be one of the strategic objectives of the Company in 2013. In 2012, the Company achieved sales volume growth of 5% to reach 390k tons. The gross sales turnover of the Company in this region exceeded SAR 2.5 billion which is 2% lower compared to 2011, due to the decrease in prices in some of the raw oil in the international markets, such as RBD Olein. Despite the increase in the sales volume, the company achieved a net profit of SAR 185 million in 2012, a decrease of 12% compared with last year. This decline in net profit derives from several factors, most importantly the political situation in the Levant region mainly Syria.

The most important marketing activities of the Company in 2012 were focused on our star brands Afia and Al-Arabi with new expansion of the oil portfolio. In 2012, we had a promising growth of Sunflower in the Saudi market mainly Shams Sun Flower Oil which increased by almost 22% in volume versus last year. In addition the Company provided continuous support to its two main brands Afia Corn and Al-Arabi in all regional markets.

Also "Afia Olive Oil" was launched in KSA markets in 2012 where initial consumer responses were very encouraging and promising. The company has ambitious plans in 2013 to continue the growth momentum of the new brand to achieve growth in KSA, Gulf and Levant regions in line with the leadership strategy.

b-1-2) Savola Behshahr Company (SBC) – Iran:

Afia International Company owns 80% of Savola Behshahr Company, Iran (SBC), a holding company which owns and operates 2 plants in Iran through two subsidiaries, namely, Behshahr Industrial Company and Margarine Manufacturing Company with market leading brands Ladan, Bahar and Aftab.

2012 proved to be a record breaking one for SBC as it achieved unprecedented results in the areas of market share, sales volume, net revenues, profit and other business KPIs despite the well-known challenges faced by the business in respect of International sanctions, higher cost of distribution and utilities and many other business environment hurdles. The decisions to optimize sales mix, maximize cost efficiencies, strong marketing activities and effective working capital management were the drivers behind these results. The Company achieved an extraordinary net profit compared with the previous year.

During 2012 total market share and brand equity continued to grow as SBC consolidated its market leadership by increasing its market share from 40% in 2011 to 48.7% in 2012. In the Consumer Market, its Star brand Ladan Ghee's share of the segment increased from 86% to 92%. Also the B2B segment reached a historical high of 50% from 37% compared with 2011 in the added value shortening and margarine segments.

SBC's net revenue increased by SAR 1.1 billion to reach SAR 4.4 billion, an increase of 31% compared to last year, on account of higher volumes and controlled increase in selling prices. During the year 2012, SBC took the initiative to establish a wholly owned Distribution Company which will be the sole distributor for both its plants from 2013 paving the way to achieve supply chain and distribution cost related efficiencies in the coming years.

The Board would like to highlight the key risks and challenges that the Islamic Republic of Iran currently faces due to Economic Sanctions imposed on Iran coupled with the difficulty of importing raw materials and the continuous decline in Iranian currency against the US dollar and its collective impact on the Company's activity. Hence the Board of Directors would like to reassure you that it closely monitors the situation and utilizes efficient management techniques to mitigate these risks.

b-1-3) Afia International (Egypt):

Egypt has gone through many changes during 2012, some of which were regarded as positive developments, while others were seen as hindrances, preventing Egypt from unleashing its full and great potential. In the bigger scheme of things, Egypt is still regarded as a promising and high potential market in the medium and long term due to its large population and high consumption pattern particularly, in those categories which Savola primarily operates in.

In 2012, Savola Foods' Egypt performance in the ghee and oil category (Afia International Egypt) has marked significant developments in the Egyptian market, being able not only to maintain but also to grow its leadership position in the massive Ghee segment. 2012 has also witnessed a significant increase in the Company's competitive position in the oil segment as the Company size grew by 9% collectively while our flagship Afia brand increased slightly compared to last year.

The above was achieved as the Company invested sufficiently in its most valuable assets which are our brands. All Key Performance Indicators for our key brands like Rawaby, Ganna, Afia, and Helwa are on the rise confirming the existence of strong pillars of these brands in the eyes of the Egyptian consumers which make it possible to build on further growth and success in the years to come. Although the company has met the financial target for the local market, the political instability in Egypt during the year 2012 and previous events have negatively impacted the Company's profitability; thus the Company's net profit decreased from SAR 54 million in 2011 to SAR 16 million in 2012. However, the company continues its efforts to increase its profits in the coming years.

Pasta (Egypt): The year 2012 also witnessed the first year for Savola Foods Egypt to fully manage the Pasta companies (AL Maleka & Al Farasha), acquired in 2011. Managing this huge operation with its big market leader brand -Elmaleka- and in a category that was totally new to Savola Management was a huge challenge which Savola managed to do wisely and successfully. The production capacity of the acquired pasta factories reached 124,000 tons per year, and the Company's market share is approximately 30% of the Egyptian branded market. The results after one year of acquisition, the Company managed to increase the size of its market leadership by 9%, with an increase in sales volume of 40% and an increase of SAR 15 mllion in the net profit (equivalent to 45% growth) making this acquisition a successful precedent to be used as a benchmarks for future acquisitions.

b-1-4) Yudum Edible Oil Company (Turkey):

Yudum Gida (100% owned by Afia International Company) operates an edible oil manufacturing plant in Izmir region, Turkey. It supplies the Turkish edible oils consumer premium market with two leading brands – Yudum (15% market share) and Sirma (1% market share) in multiple oil categories (sunflower, canola, corn, hazel nut and olive oil) and in the premium market segment.

During 2012, the Company successfully established its own Sales and Distribution network, significantly improving its sales volume, collection and risk management performance. In addition, Yudum has extended its olive oil expertise in support of Afia Olive Oil launch in the KSA market as a supplier of high quality olive oils from Turkey. Total Revenues increased by 9% to reach SAR 887 million in 2012, compared with SAR 814 million in 2011 representing sales volume of 108,000 tons, an increase of 6% compared to last year.

At the end of last year, the company was working on a turnaround plan to turn the solid brand portfolio base into profit. By the grace of the Almighty, the Company managed to deliver its aspirations and ended 2012 with a Net Profit of SAR 16.6 million compared with a Net Loss of SAR 14.8 million in 2011. The profit was primarily driven by the Company's volume growth, higher margins in the key sunflower oil category, success in the olive oil segment and the B2B channel.

b-1-5) Savola (Kazakhstan):

Savola Foods CIS is 90% owned by the Afia International Company. The company during 2012 maintained its leadership position in Kazakhstan with a 19% market share and the number one brand position with Leto, despite a highly competitive environment and aggressive price strategy from larger, integrated players. Total volume was 29,000 tons and net sales for 2012 were SAR 174 million compared with SAR 211 million in 2011. Savola Kazakhstan achieved a profit of SAR 4.6 million in 2012 as opposed to SAR 0.8 million in 2011. The aggressive export businesses from Russia and the competitive advantage to local integrated players, who are integrated in the agricultural sector for the purpose of producing of raw materials for edible oils, remain a structural handicap for further profitable growth. The Management is actively working on various business models to turnaround the business to a bigger base. With this in view, the Group has studied some options and is currently revisiting its strategy towards the future of this Company and of its operations and will take appropriate decisions during the year 2013.

c) Savola Foods Emerging Markets Company -Edible Oils (Algeria, Sudan and Morocco):

Savola Foods Emerging Markets Company (SFEM) is a subsidiary of SFC, which holds a 95.4% shareholding in SFEM. It owns edible oil operations in Morocco, Sudan, and Algeria. Performance details of the Company's subsidiaries are:

c-1) Afia International Algeria:

Afia International Algeria is a 100% owned subsidiary of SFEM whose activity is to manufacture and commercialize edible oils in Algeria. The Company started operations in October 2008 and is now the second player in the market with a market share above 30%, mainly with the Afia Brand, and is present throughout the country.

Afia International Algeria continued its rapid growth and closed 2012 with a volume of 112,500 tons, growing by 32% over 2011. Revenues reached SAR 661.5 million, which is 26% over the 2011 revenue. This contributed to the overall profitability as the Company was able to sustain the turnaround it achieved in 2011 and reported a net profit of SAR 20 million in 2012 compared with SAR 23.4 million in 2011, despite the weakening of the local currency.

As always, the Company kept investing in strengthening its brands equity through successful national campaigns and activities directed towards both the consumer and the trade. In addition, the Company invested close to SAR 20 million to build a new warehouse for its products, a new tank to store crude oil and to install a third packing line. This project has contributed in increasing the production capacity by around 50% to fit the Company's growth agenda and the high market potential for the Company's products.

The focus of the Company in 2013 and during the coming few years is to continue the journey of volume growth to reach market leadership as well as improving profitability to meet and exceed shareholders' required rate of return.

c-2) Savola Sudan:

Savola Edible Oils Sudan Company is 100% owned by SFEM and was established in 2005 at a time when the idea of packaged oil was not strong in the Sudan oil market. Over the years Savola Sudan has been building its business on shifting people from loose to packaged oil. The process of changing an old consumer habit was a challenge for the Company but it managed to increase its volume and market share over time.

2012 was a real test for Savola Sudan. The market witnessed a collapse in local oil prices on one hand and an increase in input costs on the other. This coupled with the local currency devaluation against the US dollar translated to serious challenges for Savola Sudan. In a tough economy like Sudan, consumers were forced to look for cheaper alternatives. Despite the difficult situation Savola Sudan managed to achieve outstanding results by reporting a 3% volume increase for its leading Brand Sabah and 136% volume increase in its second brand Al Tayeb, and a total of 14% volume increase versus 2011. This has lresulted in the Company achieving a net profit of SAR 32 million compared with 60 million in

2012. Although it was a tough year, the Company is now assured that the work done behind its brand building has given it 2 strong pillars to face the unstable atmosphere which the country is now in.

The objective in 2013 will be on further conversion of consumers from loose to branded oil through our 2 brands by appealing to both their desired oil characteristics and suitable sizes and packs.

Edible Oils factory in Sudan

c-3) Savola Morocco:

Savola Morocco is 100% owned by SFEM, it started operations in 2004 as a Greenfield Company after liberalization of the edible oil market in Morocco.

Today, Savola Morocco is ranked third with a market share of 12% through its flagship trade marks AFIA & HALA.

In difficult adverse market conditions, Savola Morocco managed to stabilize its sales volume at 45,000 tons during 2012. However, due to some unforeseen events such as the financial impact of cumulative tax expenses, higher crude oil prices and devaluation in the exchange rate, it reported net losses of SAR 6.7 million in 2012 compared with net loss of SAR 5.9 million for 2011. The Company will undergo further reviews during 2013 to take the appropriate decisions in light of the results of its operations for 2012.

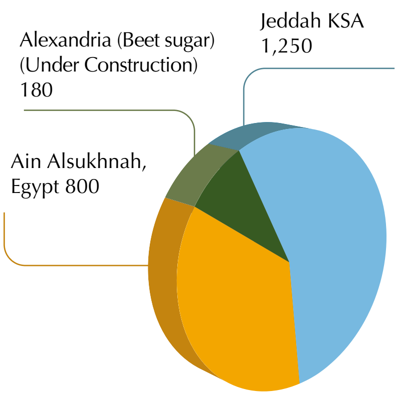

Production Capacity of Sugar Factories in the Group reached more than
2 Million Tons Per Year

d) Sugar and Sweeteners Business (KSA and Egypt):

d-1) United Sugar Company (USC) (Saudi Arabia):

United Sugar Company (USC) operates from the Jeddah Islamic Port and is 74.4% owned by Savola Industrial Investments Company, which in turn is 95% owned by Savola Foods Company. USC operates the third largest sugar refinery in the world, with annual production capacity of approximately 1.3 million tons. The company has built a strong marketing base in the Middle East on its core brand – "Al Osra" and holds 75% market share in Saudi Arabia. The company is a dominant leader in the important B2B markets with solid partnership relations in many food industries. The total production capacity of Group's sugar refineries has reached more than 2 million tons annually; the following graph shows the distribution of the production capacity of its sugar refineries in Saudi Arabia and Egypt:

Production Capacity for Sugar Refineries
(thousands of tons per year)



As part of the diversification of its product portfolio, the Company entered into the sweetener category and launched the "Sweeva" brand in 2011, which was primarily created to provide a sugar alternative for consumers who are looking for a product that fits their desires and health needs.

In the difficult context of the region in 2012, the Company's sales volume was stable at 1.34 million tons, with exports accounting for 368 thousand tons an increase of 3%. The net revenue for the business exceeded SAR 3.77 billion, which was 8% lower as compared to last year. The Company's net income for the year 2012 reached SAR 251 million, a decrease of 1% compared with last year.

d-2) United Sugar Company of Egypt:

United Sugar Company of Egypt (USCE) is a 57% owned subsidiary of USC; Savola Group has also a direct 19% shareholding in the Company. The Egyptian business began its operations in 2008 with a new 750,000-ton sugar refinery at Ain Al Sokhna port, the capacity of which increased during 2010 to reach 800,000 tons, sales volumes at 600,000 tons remained the same, as 2011.

In 2012, the irregularities in Egypt on the labor and union fronts affected our operations as we faced labor strikes in the factory located in the area in Egypt which witnessed the highest rate of labor unrest throughout the year. As a result, the financial results were dramatically affected and more than 150,000 MT of production and sales were lost along with incurring a heavy cost relating to shipment wash out and financing costs during the stoppage period. The operations were resumed after many efforts with the concerned authorities, which resulted in an agreement being reached with the Labor Unions under the auspices of the Minister of Labor. Operations have resumed since and are uninterrupted for six months in a row.

Due to the labor problems and the instability in Egypt, the company recorded a net loss of SAR 72 million versus a net profit of SAR 2 million last year.

d-3) Alexandria Sugar Company:

Alexandria Sugar Company (ASC), is 62% owned by USC and is the first fully integrated project within the Savola Group, it was established by the Savola Group and its subsidiaries in 2009. Capital was then increased two times to reach USD 117 million, equivalent to (EGP 664 million). ASC's target is to plant and harvest 60 to 70 thousand acres annually to produce 1.3 million tons of sugar-beet roots enough, to operate at full capacity (9,000 tons a day) during the crushing season, which lasts 140 days per year.

The year 2012 also witnessed significant developments in our beet based sugar project despite the challenges faced both on the project side after the instability post 2011 crisis. The overall project level of completness during 2012 reached 92%, up from 50% in 2011, an increase of 42%. This is considered a very big step towards achieving the targeted commissioning date in the second half of 2013 and making this project a strong and significant contributor to Savola Foods Company in terms of revenue and profit in the coming years.

Beet Sugar project in Alexandria, Egypt

Sales of Al-Azizia Panda United Company exceeded SAR 10 Billion and Reported a Net Profit of SAR 311.4 Million, an increase of 55.5% over last year It also managed to increase the number of its stores (Hypermarkets and Supermarkets) to 181, 145 out of them are located in the Kingdom

4-2) Retail Sector- Al-Azizia Panda United Company (APU):

Al-Azizia Panda United Company "APU", is a closed joint stock company, operating in the grocery retail sector, it is owned 74.4% by Savola Group (a Saudi joint stock company). Panda succeeded in opening 14 new stores in 2012 and, by the end of year 2012, APU's network of stores has reached 181 stores, out of which 145 are located in the Kingdom of Saudi Arabia, one store in Dubai and 35 stores in Lebanon, making it amongst the leading retailers in the grocery retail sector in the Middle East region. APU is planning to open 20 stores in 2013, (15 supermarkets and 5 hypermarkets), thus bringing the total number of stores to 201 by the end of the year.

During the year 2012, Panda revenues grew by 11% over 2011 resulting in a growth of SAR 1.0 billion. Total revenues for the year exceeded the SAR 10 billion mark for the first time in its history to reach SAR 10.2 billion compared with SAR 9.2 billion in 2011.

Another outstanding and historical achievement for the year 2012 was delivering over 3.0% net profit margin for the first time and realizing net profit of SAR 311.4 million compared to SAR 200.1 million in the year 2011 (an outstanding growth of 55.5%).

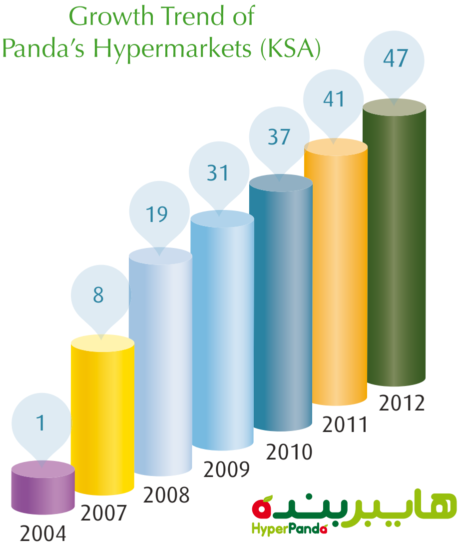
Panda also increased the total selling area of its stores to 527,000 square meters which represented an increase of 6.0% over the previous year. This increase resulted from 14 new store openings in Saudi Arabia comprising of 4 hypermarkets and 10 supermarkets. The customer base of Panda grew by 4.8% versus last year to reach 91 million customer shopping transactions during the year 2012.

Panda maintained its ranking as number one in "Price Perception" in Saudi Arabia according to a wide customer survey which benchmarks the competitiveness, quality and standard of services provided by Panda towards its customers. Panda's market share in year 2012 reached 8.0% in the Saudi grocery retail market, and 21.4% in the modern grocery retail market (as of September 2012) making it the leading company in the grocery retail sector in KSA.

Panda is aspiring to further enhance its market share in the coming 3 years (2013 -2015) through superior performance of its existing stores and through the continued ongoing strategic focus on opening of new stores. This will further expand its geographical footprint throughout the country which currently spans 33 cities across Saudi Arabia.

The company's growth in number of stores is illustrated below:

Growth Trend of
Panda's Hypermarkets (KSA)



Growth Trend of
Panda's Supermarkets (KSA)


بنده
Panda


Panda
Table Salt

One of the pillars of Panda's growth strategy is the development of Panda's private label brand. During 2012, Panda's private label witnessed the launch of several new products to include new categories of food and non-food products at highly competitive retail prices and with high quality standards.

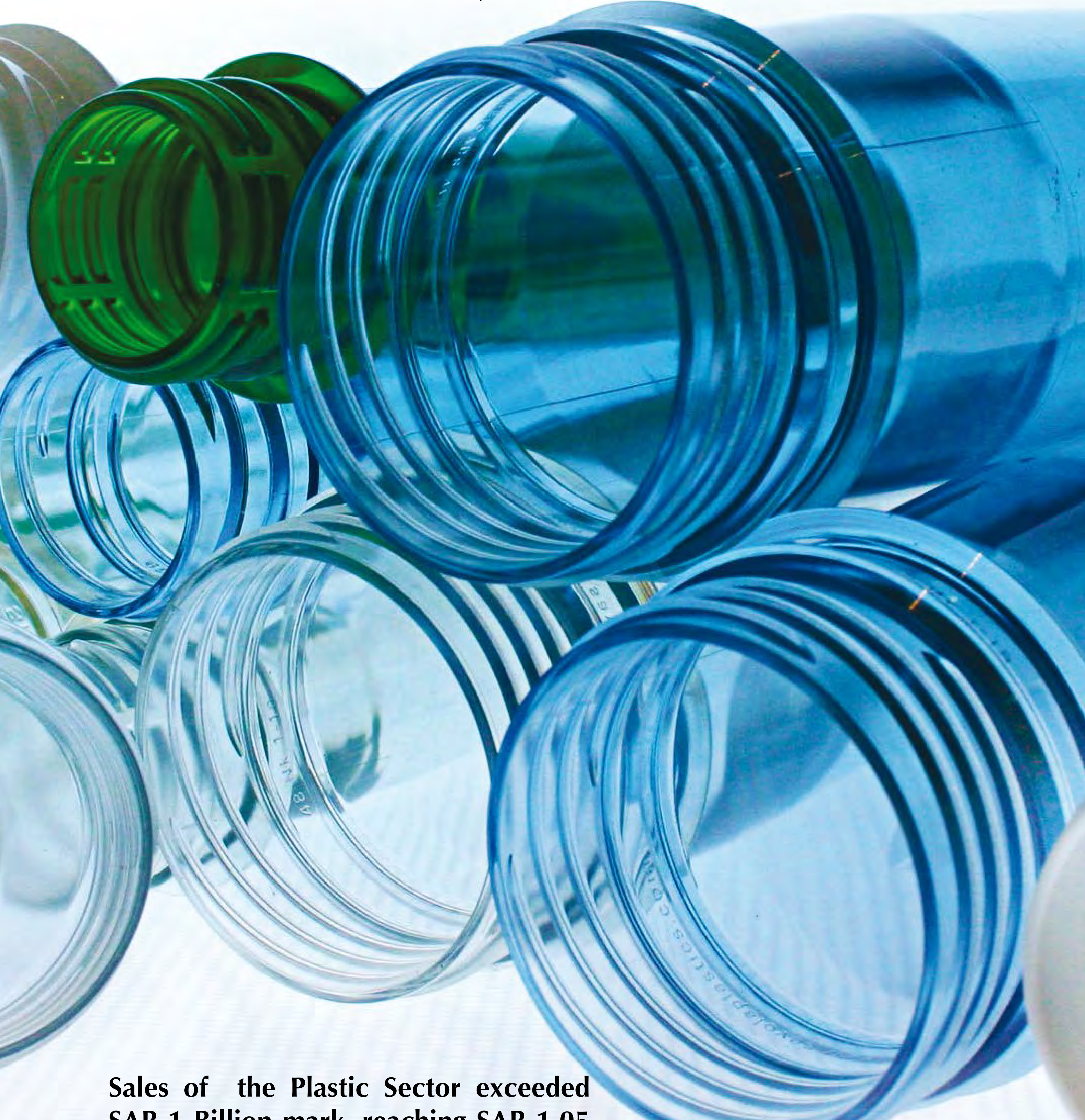
Through its expansion strategy during 2013, Panda plans for a continued growth in revenues coupled with an increase in the number of its stores which would further strengthen its leadership in the grocery retail market. Leveraging on its economies of scale, Panda is focused on driving further synergies in its operations and to pass on the benefits of such synergies to its valuable customers and to continue providing them with best value for money.

To support its aggressive store expansion plans, Panda has signed an agreement to construct a new distribution center on the west coast of Saudi Arabia at King Abdullah Economic City in Rabigh. Panda has secured a site of 200,000 SQM in phase 1 in the city's Industrial Valley, whereby it plans to invest around SAR 400 million in developing a state-of-the-art distribution center which will not only support Panda's expansion in the Western region but will also serve the Panda stores in the Northern and Southern regions.

On the front of brand excellence, Panda was awarded "Brand Excellence in Retail" by the Global Awards for Brand Excellence, which is one of the most prestigious awards in brand excellence.

Human Resources and Saudisation: Panda continues with its strategic focus on the training and development of its human capital by providing them with intensive the job training programs. This has not only resulted in the Saudisation reaching 39% during 2012 but has also enabled Panda to secure the "Best Working Environment" award from Al-Eqtasadia Newspaper in Saudi Arabia.

The production capacity of Plastic Sector Factories Reached approximately 200,000 Tons per year



Sales of the Plastic Sector exceeded SAR 1 Billion mark, reaching SAR 1.05 Billion, this is an increase of 5.2% over last year

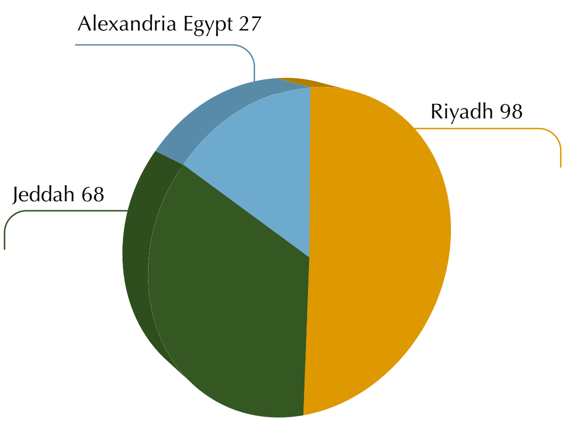
4-3) Plastic Sector - Savola Packaging Company (SPC):

SPC is a limited liability company which manages the Plastics Sector, its Headquarters is located in Jeddah, and its owned 100% by Savola group. During 2012, SPC started the process of conversion from a limited liability Company to a closed joint stock company, the legal process is expected to be completed during 2013. SPC is amongst the leading players in the rigid and flexible plastic market in the region. SPC has a wide range of customers who are located in more than 35 countries with a total production equal to 200,000 tons annually and its products are present in almost all of the continents of the world.

SPC manages and operates seven manufacturing facilities, one in Jeddah, four in Riyadh, and two in Alexandria, Egypt. It supplies pre-forms, bottles, closures, films and containers for the dairy & juice sector, water, carbonated soft drinks, petrochemicals, health & personal care products, lubricants, edible oil and retail sector to local and export customers.

The following graph shows the size of the production capacity for the plastic factories in KSA and Alexandria Egypt. ('000 tons per year).

Production Capacity for Savola Plastic Sector Factories (thousands of tons per year)



SPC is focused on becoming amongst the best 20 players in the world by 2020. SPC is planning to achieve this through growing organically and through M&A activity.

During the year 2012, SPC continued facing challenges, locally and internationally, due to severe pressure from competitors, the financial crisis in European countries affected exports, political unrest in MENA and currency fluctuations had adverse impacts as well.

Despite numerous pressures SPC reported improved revenue in 2012. SPC consolidated sales volume increased to KMT 123,000 representing an 8% growth over last year, sales value increased to SAR 1.05 billion a 5.16% growth over last year, and net profit increased to SAR 100 million as compared to SAR 91 million for last year representing a 10% growth .

As for the performance of SPC's Subsidiaries: Al Sharq Plastic Co. achieved SAR 27 million net profit for 2012 compared with SAR 28.9 million for the year 2011, while the New Marina Company achieved net profit for the year 2012 of EGP 13 million, compared with EGP 17.6 million for the year 2011.

As For the Human Resource Department, during the year the Company had many initiatives for the professional and personal development of its employees such as, on-the-job training as well as conducting several management, operations, finance & IT training seminars which were attended by more than 20% of its workforce. SPC complies with the Saudisation program and is in the VIP category for the Nitaqat program.

5) The Savola Group Non-Managed Investments

a) Almarai Dairy Company:

The Savola Group's investment in Almarai, a Saudi based publicly listed company, is considered to be a core strategic investment for the Group in the Foods sector. As mentioned elsewhere in this report , as a result the Group increased its investment in Almarai Company by an amount of SAR 2 billion which increased its shareholding from 29.95% to 36.52%.

Almarai is a leading food and beverage company in the Middle East and, under the brand name Almarai, it enjoys an outstanding reputation for high-quality products in GCC and Middle Eastern Countries. It produces dairy products, beverage, bakery, poultry and infant milk.

Almarai achieved outstanding results for 2012 with its net profit for the year reaching SAR 1.4 billion compared to SAR 1.1 billion for 2011, which represents an increase of 26.42%, as per the Company's results as announced to the Saudi Stock Exchange (Tadawul) on January 19, 2013. Thus, Almarai Board of Directors has recommended distributing SAR 500 million as cash dividends for the fiscal year ended December 31, 2012. This recommendation will be proposed in the Almarai Shareholders Annual General Meeting for approval. As Almarai is a publicly listed company on the Saudi Stock Exchange (Tadawul), all information and details about its performance, business development, and financial results are available in its 2012 Annual Report as presented by its Board of Directors and announced through the Saudi Stock Exchange website (Tadawul).

Savola Group increased its shareholding in Almarai Company from 29.95% to 36.52% during 2012. The additional investment was SAR 2 Billion.

b) Herfy Foods Company:

Herfy Food Services Company (a Saudi Public listed Company), is 49% owned by Savola (directly & indirectly), it operates a fast food restaurant chain across the kingdom and overseas. The company also produces bakery and meat products, has an extensive distribution network and a well-established supplies division, and owns a special catering services division. It has special expertise in this area gained through long experience of more than 31 years.

Herfy Food Services Company achieved a net profit of SAR 181.2 million for the year 2012 as compared to SAR 146.6 million for 2011, which represents an increase of 23.5%, this is as per the Company's announced results on Saudi Stock Exchange (Tadawul) on January 19, 2013. Moreover, the Company opened 13 new restaurants during the year 2012, bringing the total number of Herfy restaurants to 190 in 5 different countries. In addition, the Company's facilities have gained ISO22000 certification, and began production from the first bread line at its new factory. As Herfy is a publicly listed company on the Saudi Stock Exchange (Tadawul), all information and details about its performance, business development, and financial results are available in its 2012 Annual Report presented by its Board of Directors and announced through the Saudi Stock Exchange website (Tadawul).

c) Real Estate Business:

c-1) Kinan International for Real Estate Development:

The Kinan Company, which is 29.9% owned by the Savola Group, recorded outstanding achievements in 2012, whereby the Company reported a net profit exceeding SAR 104 million, which represents an increase of 5% compared to last year. Based on these results, the company has distributed cash dividends to its shareholders at a rate of 3.7% of the Company's share capital for the second consecutive year. In addition, Kinan managed successfully to sell its Masharif project first phase residential units which is considered a major residential development project, located in the northeast of Jeddah. It is worth mentioning that 146 villas were constructed and handed over in line with the project timeline. Furthermore, the Company was able to complete the infrastructure work for its second residential development project, Masharif Hills which is located in the north of Riyadh. The Masharif Hills area covers 906,000 square meters and the Company aims to start selling the residential units of this project by the second quarter of 2013. Kinan is planning to reveal two new residential unit projects in Jeddah, bringing the total area of all projects that the Company is currently developing to approximately five million square meters, which makes Kinan one of the largest residential project developers in Saudi Arabia.

The number of shoppers at Kinan's Commercial Centers increased significantly to reach 56 million and its net profits increased by 57%. The Company also succeeded in increasing the occupancy rate to reach approximately 96%. Moreover, Kinan was approved to obtain an Islamic loan of SAR 500 million from Saudi Fransi Bank to support the expansion in construction development projects and commercial centers. As a result of Kinan's great efforts in numerous fields during 2012, it was recognized as the Best Real Estate Developer in the Middle East by Arabia Business Magazine as well as the Best Work Environment in the real estate sector in the Kingdom by Aleqtisadiah Newspaper.

c-2) Other Real Estate Investments:

In addition to the Kinan shareholding, the Group has various investments in real estate projects, which include 11.5% (6.4% direct and the remaining percentage is indirect ownership) in the Knowledge Economic City (KEC), listed on Tadawul; 5% of Taameer Jordan Holdings Company, listed at the Jordanian Stock exchange; and minority shareholdings in Dar Al-Tamlik and others.

In view of the Savola Group Focus Strategy, during 2012 it sold a substantial percentage of its ownership in Emmar Economic City recognizing a profit of SAR 47 million, however, a remaining percentage of 0.9% is still owned by the Group. The Group also continued its efforts during 2012, with the concerned authorities to complete the legal procedures for transfering its 80% shareholding in the land located in AL-Madina AL-Munawarrah city to KEC in accordance with the contract between the two parties, which was previously announced to shareholders. The Group will update shareholders on any material developments via Tadawul as per regulations.

d) Private Equities:

Other investments held by The Group include:

d-1) Swicorp Saudi Company:

Swicorp is a financial advisory firm operating in the Middle East and licensed by the Capital Market Authority of Saudi Arabia. The Group holds 15% of the Company's outstanding capital, which accounts for an investment with a book value of SAR 116 million. Swicorp has reported profits in each of the past three years.

d-2) Joussour Holding Company:

Joussour is a private equity vehicle that focuses on petrochemicals, energy-intensive industries and infrastructure. The book value of the Group's investment in this fund is SAR 287 million and accounts for 14% of the total equity. The Group recorded a provision of SAR 78 million during the year 2008, against losses in the fund, which resulted from the deterioration of the market due to the global financial crisis. Joussour is currently investing in businesses that are expected to benefit from the competitive advantage of being located in the MENA region.

d-3) Intaj Capital Ltd Co:

Intaj is a private equity fund managed by Swicorp, which focuses on high-growth industries driven by consumer demand in the MENA region. The Group holds 49% of this fund, with an investment book value of SAR 365 million. The fund currently invests in different companies across a variety of sectors.

6) Human Resources & Information Technologies and Corporate Citizenship Programs

6) Human Resources and Information Technologies and Corporate Citizenship Programs:

a) Workforce and Communication Program with Employees:

a-1) Workforce: Employing and developing local talent remains a cornerstone of the Group's core strategy. As at the end of 2012, the Group's total overseas and local workforce exceeded 18,500 employees of which 13,500 were based in KSA (of which 5,500 were Saudi men and women). Accordingly, the overall Saudisation percentage reached approximately 40%. Efforts are continuing to accommodate more young Saudi nationals in the coming years. The majority of the executive and leadership positions are occupied by competent and qualified Saudis.

Demonstrating its commitment to develop future leaders within the Savola Group, 40 Management Trainees have joined Savola in 2012 and are being prepared and developed to become future leaders and executives within the Group and its subsidiaries as part of the Group's Management Trainees Program. The Group's great efforts to hire more young Saudi males and females will continue during 2013.

a-2) The Group's Annual Conference for Executives and Managers:

During 2012 the Group conducted its Annual Conference for its Executives and Managers in Saudi Arabia and overseas. The Group holds this event on an annual basis. During the Conference, the participants reviewed and discussed the Group and sector performance and key lessons from the previous year. The review also included a re-focus on the strategic objectives, programs and plans of the Group and sectors in the Kingdom and international operations for the fiscal year 2012. In addition, the challenges, potential risks, and mechanisms of implementation were discussed. During the event, the best performing teams from all sectors were honored for their outstanding performance during the year. Employees who had served the Company were also honored during the Conference. The Group is planning to hold its Annual Conference for the year 2013 during the month of February 2013 to discuss the Group's achievements for last year and its plans for 2013.

a-3) Information Technology (IT):

The Group manages its IT services through an in-house division called Savola Shared Information Services (SSIS). In-line with the Group's business strategy, Savola aims to provide up to date, reliable, cost effective, high quality and secure IT services to the Group and its OpCos. This division is managed by talented experts in IT who contribute significantly to achieving the Group objectives and strategy.

b) Special Programs developed for Employees:

As one of the Group's core values towards its employees is 'Birr'(practicing justice), the Group has developed a number of programs for its employees designed to retain, motivate and improve performance.

b-1) Employee Home Loan Scheme:

This program was first introduced in 1992, and is designed to retain and motivate the employees of the Group and its subsidiaries'. An interest-free loan of 50 basic salaries, at a minimum of SAR 500,000 and maximum of SAR 2.5 million, is provided by the Group to be paid back over 120 months. This program helps employees to buy their own homes after fulfilling certain requirements and criteria. Almost 100 Savola employees had participated and benefited from this scheme up to December 31, 2012.

b-2) Employee Co-operative/Takaful Program for Death and Permanent or Partial Disability:

In cooperation with Saudi British Bank (SABB), in the case of employee death, permanent or partial disability, Savola compensates an equivalent to 24 basic salaries. All cases submitted in 2012 have been settled accordingly.

b-3) Employee Takaful Fund:

This fund helps junior staff (non-managers) deal with financial emergencies they or their families might encounter that put them in urgent need of financial assistance. The fund is financed through voluntary monthly contributions by the different grades of staff. Savola also contributes by matching employees' monthly payments. The Fund supported all cases that fulfilled the criteria during 2012. About 100 cases were assisted by the Fund during the year 2012 compared with 185 cases in the previous year.

A group photo of the young Saudi management trainees with the Group Managing Director and the Executive Management during their introductory workshop.

The Group's Annual Conference for Executives and Managers:

During 2013 the Group conducted its Annual Conference for its Executives and Managers from Saudi Arabia and overseas. The Group holds this event on an annual basis. During the Conference, the participants reviewed and discussed the Group and sector performance and key lessons from the previous year. The review also included a re-focus on the strategic objectives, programs and plans of the Group and sectors in the Kingdom and international operations for the fiscal year 2012. In addition, the challenges, potential risks, and mechanisms of implementation were discussed. During the event, the best performing teams from all sectors were honored for their outstanding performance during the year. Employees who had served the Company were also honored during the Conference.

A group photo of the attendees at the Savola Annual Conference 2013, with the Group Managing Director and the Executive Management

7) Savola Group Corporate Social Responsibility (CSR) Programs

7) Savola Group Corporate Social Responsibility (CSR) Programs:

As part of its commitment to serve the community, the Group continued to implement a range of CSR programs during 2012. Key projects in the CSR initiative are: The Savola Center for Empowering People with Disabilities (Makeen); Leave The Change for Them Program in association with The Disabled Children's Association; Leadership Programs through, Al-Madina Institute of Leadership & Entrepreneurship (MILE); and other CSR initiatives administered in collaboration with various non-profit organizations, the Government, and various medical and educational institutions. Recognizing the importance of Savola's involvement in developing communities where it operates, the Group Board adopted a resolution to allocate 1% of annual operating net profits from its core sectors to support CSR programs.

The Group CSR Programs include the following:

a) The Savola Center for Empowering People with Disability (Makeen):

The Center was established to train and employ people with disabilities and assist them in securing appropriate jobs whether, in the Group's Operating Companies or in the private sector. In 2012, the Center trained and employed 120 people with disabilities within the Group and other entities in the private sector. Makeen Center has an ambitious plan to train and employ 200 people during 2013, Inshallah. The Center was able to accommodate 306 people into the Makeen Pilot Program during the past two years.

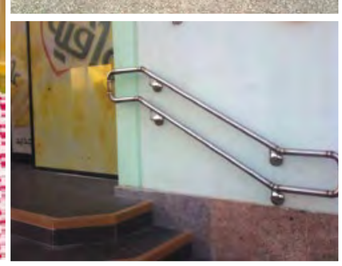
Makeen Center initiatives were as follows:

1) The Savola Total Accessibility Project:

At the end of 2012, The Savola Group has announced that it is 100% pecial needs friendly through the completion of its Universal Accessibility Project which covered its operational companies Afia International, United Sugar Company and Savola Packaging all of which are located in Jeddah.

The project aims to ensure an accessible workplace for people with disabilities and all facilities were assessed by the Global Alliance on Accessible Technologies & Environments (GAATES), an organization with a vast experience in Universal Accessibility., All the companies received the Compatibility Certificate confirming that they meet Global Accessibility Standards. This strategic initiative aims to develop appropriate conditions in the






work environment that better serve the needs of the disabled community; it also aims to ensure easy mobility of employees and customers with disabilities within the various buildings and facilities of its Operating Companies and factories. The Group will continue during 2013 to invest in projects that create a better environment for people with disabilities.

2) The Mentor and Buddy System:

The Makeen Center has organized a training program titled "The Concept and Implementation of the Mentor and Buddy System," which took place in all the Group's, KSA based, Operating Companies. The training program aims to spread the awareness of dealing with employees with disabilities and to secure accessible workplaces for them. 85 employees from Human Resources and Production Departments have participated in this training program.

3) The Global Reporting Initiative (GRI):

The Group published its first Sustainability Report in 2012, which covers all the Group's activities in the previous year, according to the GRI (Global Reporting Initiative). The Report was reviewed by the Center for Sustainability and Excellence (CSE), a non-profit organization aiming to enhance economic sustainability, and the Group achieved a B+ rating for GRI. The Global Initiative Report provides data relating to the economic, environmental, and social performance of organizations. These reports are produced by companies to enhance and reinforce transparency and accountability in the organization and to assess their CSR and environmental practices.

b) Leave the Change for Them (Within Panda's CSR Programs)

Panda continued its strategy to support the community thorough various strategic initiatives such as "Leave the Change for Them", "Panda Caravan", and "Eid Clothing Donation". In addition, Panda recently adopted new strategic projects such as "Panda-Friend of the Environment" and many other socially responsible strategic projects.

"Leave the Change for Them" which first started in 2006 to support a number of charities such as the Disabled Children Association successfully raised SAR 6.7 million in 2012. In addition, Panda continues its strategy of developing its human resources by offering extensive training programs which helped to raise its Saudisation levels to 39% in 2012 as well as to win the award for "Best Working Environment in KSA" sponsored by Aleqtisadiah Newspaper.

Panda's Executive Management team and Disabled Children Association's team during the occassion of handing over the collection from the "Leave The Change For Them" campaign.

c) Saudi Injaz Entrepreneurs Project:

Injaz-Saudi Arabia is a member nation of Junior Achievements Worldwide. This is the world's largest non-profit organization dedicated to educating students and preparing them for the work place. It runs hands-on programs in the areas of: Entrepreneurship, Financial Literacy, and Workforce Readiness aiming to prepare elementary, middle school, high school and university students to deal with business demands through developing their personal and practical skills by training them in workshops led by private sector volunteers. Injaz-Saudi Arabia's mission is dedicated to inspire and prepare Saudi youth to succeed in a global, knowledge based economy with a vision of delivering pioneering, hands-on programs to 250,000 male and female Saudi students Kingdom-wide by 2018, in partnership with the business community, Ministries, educators and volunteers. The Group is one of the largest supporters of the Injaz program, and a number of Savolans volunteered to participate in Injaz campaigns in 2012, spending an average of 1,123 volunteer hours to train 1,727 students.

إنجاز السعودية
INJAZ
A Member of JA Worldwide
Saudi Arabia

d) Other Bridges

The Group continued to sponsor MILE in collaboration with Al-Madina Knowledge Economic City Co. (KEC). MILE aims to develop senior management resources in Saudi Arabia, as well as in other Arab and Muslim countries. Also the Group supported a number of community groups such as Zamzam Association for voluntary health services, Capabilities Childhood Programs (CAP), Jeddah Autism Center (Al-Faysaliyah Association), Al- Birr Association Jeddah, Jeddah Center for Speech and Hearing, and many other bridges.

8) Governance & Transparency Report

8) Governance and Transparency Report:

As part of the Group's commitment to enhance both Transparency and Corporate Communication with its shareholders and the public, the Group continued during the year 2012 to implement and comply with Corporate Governance regulations issued by the CMA and other relevant regulations. The Board is pleased therefore to disclose, in addition to the Group's results, Sectors' performance, HR, IT and CSR performance, the following information, as part of the Group's compliance with CG guidelines:

a) Shareholders' Rights and Communication

The Group pays special attention to the rights of shareholders and investors by including such rights in the Group's Articles of Association and its Corporate Governance Manual, which was developed in 2004 and has since been continually refined. These documents outline shareholders' Rights, as detailed in the applicable rules and regulations, and which can be reviewed on Savola's website (www.savola.com). The Company publishes financial and non-financial reports and other data on the Tadawul website, in the daily newspapers, the Annual Directors report, and in Savola's quarterly newsletter (Savola Newsletter) which are issued in both Arabic and English languages, and are distributed to a wide range of people as an insert in one of the local newspapers, it is also communicated electronically via email to many investors and also can be accessed through Savola's website. A dedicated department to manage and deal with shareholders' affairs has been in existence since the Groups foundation.

a-1) Company Dividends Policy

The Company's Articles of Association, article # (43), dealing with Dividends Policy, authorizes:

1. Allocating 10 % of net profits to statutory reserves. The General Assembly meeting is authorized to maintain this allocation until the reserve is equal to half the Company's capital.
2. Of the remaining net profits, a first payment at 5.0 % of paid up capital is distributed to shareholders.
3. 7.5 % of the balance is allocated as remuneration for members of the Board of Directors.
4. The balance could then be distributed to shareholders as additional dividends.

In line with the above policy, and based on the Board of Directors recommendations, the Group distributed quarterly cash dividends to shareholders during 2012 amounting to SAR 700 million at a rate of 1.40 Saudi Riyals per share, which represents 14% of the Company share capital (nominal value). The Group will continue to apply its Dividends Distribution Policy in 2013 and declare dividends on a quarterly basis. The Board of Directors specifies the date of entitlement to such dividends, announced through "Tadawul" Website and local newspapers in accordance with the regulations.

For the Board members' annual remuneration, this is stipulated in the company's Articles of Association and mentioned above in the Dividends Policy, the Group complies with Ministerial Resolution No 1071 dated 1412 AH, specifying a ceiling not exceeding SAR 200,000 for each Board Member as annual remuneration.

a-2) Dividends Distributions in 2012:

As part of Shareholders' right, the Savola Group distributed quarterly cash dividends during 2012. The Board of Directors recommends this to be ratified by the esteemed Shareholders General Assembly Meeting.

Period	Total (SAR Million	Dividend Per One Share (SAR)	Date of disclosure in Tadawul	Entitlement Date	Date of Distribution
1st Quarter	150	0.30	17/04/2012	25/04/2012	05/05/2012
2nd Quarter	150	0.30	21/07/2012	25/07/2012	11/08/2012
3rd Quarter	150	0.30	16/10/2012	22/10/2012	17/11/2012
4th Quarter	250	0.50	16/01/2013	Date of the AGM 16/03/2013	To be distributed within 15 days of AGM Approval
Total	700	1.40			

b) Savola Group Equity Profile, as at December 31, 2012:

	Detail	Value/ SAR / Number of Shares
-	Company authorized capital (SAR)	5,000,000,000
-	Issued shares (all company's shares are ordinary shares)	500,000,000
-	Floated issued shares (as per Tadawul records) as at February 9, 2013*	367,238,194
-	Paid-up capital (SAR)	5,000,000,000
-	Nominal value per share (SAR)	SAR 10
-	Paid up value per share (SAR)	SAR 10

*Note: The total number of floated shares changes from time to time based on the trading movement of Savola Group shares on the Saudi Stock Market.

c) List of Major Shareholders:

List of Major Shareholders who owned 5% shares and above, and also their ownership changes during the year 2012.

#	Name	Nationality	Shares # at the beginning of 2012	Ownership (%) at the beginning of 2012	Shares # at the end of 2012	Ownership (%) at the end of 2012
1	MASC Holding Co.	Saudi	60,000,000	12.00%	60,000,000	12.00%
2	General Organization for Social Insurance (GOSI)	Saudi Government Institution	54,658,575	10.93%	54,658,575	10.93%
3	Mr. Abdullah M. A. Al Rabiah	Saudi	43,750,000	8.75%	43,892,500	8.78%
4	Abdulkadir Al-Muhaidib & Sons Co.	Saudi	42,594,444	8.52%	42,520,296	8.50%

Note: With regard to the declaration of movements in major shareholders ownership, as per Article 45 of the Registration and Listing Rules, the Group reports that it has not received any written notification during 2012 from any of its shareholders, indicating any changes or movement in their ownership percentages. The above disclosed information has been made based on Tadawul records.

d) Expected Dates of Key Events for Shareholders for the Fiscal Year of 2013:

#	Dates, 2013	Key Events for 2013	Notes
1.	February 13	Board of Directors Meeting.	To approve the financial results for the year 2012 and the dividends based on the Audit Committee recommendation, and call the Shareholders for AGM.
2.	February 19	Annual Conference for the Savola Executives and Managers.	To review Savola's performance for the year 2012 and strategies for 2013.
3.	March 16	Suggested schedule for AGM to be approved.	First to be announced in Tadawul, uploaded on the Company's website and published in the daily newspapers.
First Quarter Events, 2013			
4.	April 17	Board of Directors' meeting (First quarter).	To approve the financial results for the first quarter of 2013 and the dividends based on the Audit Committee recommendation.
5.	April 17-21	Publishing financial results for the first quarter.	First to be announced in Tadawul, uploaded on the Company's website and published in the daily newspapers.
6.	April 17-21	Announce the Board's decision for first quarter dividends to shareholders.	Dividends payment made within 15 days from the maturity date mentioned in Tadawul announcement.
7.	April 21 to May 6	Issue Savola Newsletter (Arabic/English version) for the first quarter.	The newsletter incudes full coverage of Company's & Sectors' performance for the quarter. It is expected to be published and distributed as an Appendix with one of the daily newspapers and placed on the Savola website. It is also communicated via e-mail to a large number of investors.
Second Quarter Events, 2013			
8.	July 16	Board of Directors' meeting (second quarter).	To approve the financial results for the second quarter 2013 and the dividends based on the Audit Committee recommendation.
9.	July 16-20	Publishing financial results for the second quarter.	See item (5) in the column's notes.
10.	July 16-20	Announce the Board decision for second quarter dividends to the shareholders.	See item (6) in the column's notes.
11.	July 20 to August 5	Issue Savola Newsletter (Arabic/English version) for the second quarter.	See item (7) in the column's notes.
Third Quarter Events, 2013			
12.	October 23-28	Publishing financial results for the third quarter.	See item (5) in the column's notes.
13.	October 23-28	Announce the Board's decision for the third quarter dividends to the shareholders.	See item (6) in the column's notes.
14.	October 30 - November 10	Issue Savola Newsletter for the third quarter (Arabic/English version).	See item (7) in the column's notes.
Fourth Quarter Events, 2013			
15.	December 11	Board of Directors' meeting (to approve the Business Plan and Budget for 2014).	To approve plan & budget for 2014.

Note: Some dates above are approximate and may change according to notifications received from official authorities.

e) Disclosures Related to Board of Directors and Executive Management:

The main role and responsibilities of the Board are to establish overall corporate strategies, plans, policies and financial objectives and ensure the effectiveness of internal controls across the Group. The Board approves financial provisions and budgets, oversees, and monitors the performance of the Group and ensures proper mechanisms to manage risks. 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 the Company's Articles of Association, its Corporate Governance Code and other internal policies. The detailed role of the Board has been articulated in the Company's Articles of Association and Corporate Governance Manual, which are available on the Company's website (www.savola.com).

e-1) Board Composition, Qualifications and other Joint Stock Companies' Board Memberships:

Article (16) of the Savola Group Company's Articles of Association, states that, The Board of Directors comprises 11 members, which complies with paragraph (a), Article (12) of the Corporate Governance Regulation issued by Capital Market Authority. The Group Board Members were elected for the new cycle, which commenced on July 1st, 2010 and will continue for three years ending on June 30th, 2013. All are Non-executives and Independent with the exception of the Group Managing Director. The table below also includes details of other joint-stock companies where Savola Directors currently hold Board positions:

#	Member Name	Membership Classification	Qualifications	Companies Membership (Listed & Unlisted) where Savola Directors currently hold Board Membership (Excluding Savola Group) Memberships
1	Mr. Sulaiman A.K. Al-Muhaidib (Chairman of the Board)	Non-Executive	Second Class, Faculty of Medicines (1985). He has extensive experience in the field of Business and Contracting, he is also the Chairman of the Board of Directors of Al-Muhaidib Holding Group.	Listed: Almarai Co., Arabian Pipe Line Co., Saudi British Bank. The National Industrialization Company. Unlisted: A. Abdulgadir AlMuhaidib & Sons Co., Tatwear AlAoula Co., Joussour Swicorp Co., International Co. for Water and Power Developments. The Middle East Co. for Paper Industry.
2	H.E. Eng. Abdullah Mohammed Noor Rehaimi Vice Chairman (Representing Public Investments Fund)	Non-Executive	Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals Sciences in Dhahran, Saudi Arabia (1975). He is a former President of the General Authority of Civil Aviation.	Listed: ALujain Co..
3.	Dr. Abdulraouf M. Mannaa (Managing Director)	Executive	Ph. D University of Washington, Seattle, USA (1982). M. Eng. University of California, Berkeley, USA M. Sc University of California, Berkeley, USA (1976) B. Sc. University of Petroleum and Minerals, KSA.(1973)	Listed: Almarai Co., Saudi Investment Bank, Herfy Food Services Co., Knowledge Economic City Co.. Unlisted: Kinan for Real Estate Development, Al-Azizyah United Company "Panda", Representing Savola Group. General Organization for Social Insurance ("GOSI").

#	Member Name	Membership Classification	Qualifications	Companies Membership (Listed & Unlisted) where Savola Directors currently hold Board Membership (Excluding Savola Group) Memberships
4.	Mr. Ibrahim M. Al Issa	Non-Executive	Bachelor of Business Administration, Chapman University, California, USA. (1974).	Listed: Yanbu Cement Co, Taibah Holding Group, Saudi Fransi Bank, and Almarai Co.
5.	Dr. Sami M. Baroum	Non-Executive	Ph.D. in Operations Management and MIS from Indiana University(1992); MBA with distinction from the Wharton School of Business, University of Pennsylvania (1985).	Listed: Knowledge Economic City Co. Herfy Food Services Co. Unlisted: Al-Azizia Panda United Co. representing the Savola Group, Tadawul Co. Jeddah International College.
6.	Mr. Abdulaziz K. Al Ghufaily (representing General Organization for Social Insurance) (GOSI)	Non-Executive	Master of Economics, USA (1990); Bachelor of Economics, King Saud University (1981).	Listed: Al Rajhi Bank, Herfy Foods Services Co.
7.	Mr. Mousa O. Al Omran	Non-Executive	Master of Business Administration, Saint Edward (1994); and Bachelor of Industrial Engineering- King Saud University (1990), Diploma of American Institute (AIB), USA.	Listed: Almarai Co., Saudi Fransi Bank. Unlisted: Al-Azizia Panda United Company, representing Savola Group.
8.	Mr. Ammar A. Al Khudairy	Independent	Master of Engineering Administration, George Washington University (1984), USA, Bachelor of Engineering, George Washington University, USA. (1984).	Listed : Al Tayyar Group for Travel & Tourism, Al Deraa Al-Arabi Co. for cooperative insurance, Mobile Telecommunications Company ("Zain "). Unlisted: Morgan Stanley Co.
9.	Dr. Ghassan Ahmed. Al Sulaiman	Independent	Ph.D. in Strategic Management, University of Hull, U.K. (2004); Master of Business Administration (Honor Degree), University of San Francisco, USA (1980); Bachelor of Science in Business Administration, Menlo College, California, USA, (1978).	Listed: Arabian Cement Co. Unlisted: Al-Magrabi Group of Hospitals, Oniazah for Investments, Saudi Venture Capital Investments Co.
10.	Mr. Mohammad A. Al Fadl	Independent	Bachelor of Economics and Marketing Sciences, University of San Francisco USA, (1977).	Listed: none. Unlisted: Jeddah Holding Co., Dar AL Tamlik, Kinan International Co.
11.	Mr. Badr Abdullah Al-Issa	Independent	Master of Business Administration, Rice University, USA (2006); Bachelor of Arts in Economics, University of Virginia, USA (2001).Certified Financial Analyst (CFA).	Listed: The Saudi Hotels & Resort Areas Co. Unlisted: Al Qeeq Real Estate Development Co., Aseelah Investments Co., and Saudi Fransi Capital.

*For more details on the Board members, their C.Vs. and experience, please visit the Group Website: www.savola.com. The above table confirms that no member of the Board of Directors of the Group has membership in more than five publicly listed company Boards at the same time.

e-2) Board of Directors Meeting Attendance Records:

Seven Board Meetings were held during 2012, the attendance record for each meeting is as follows:

		Meetings during 2012							
#	Name	17 Jan	20 Feb	17 Apr	1 May	12 Jun	16 Oct	15 Dec	No of Attendance
1.	Sulaiman A.K.Al-Muhaidib	×	✓	✓	✓	✓	✓	✓	(6)
2.	H.E. Eng. Abdullah M. Noor Rehaimi	✓	✓	✓	✓	✓	✓	✓	(7)
3.	Dr. Abdulraouf M. Mannaa	✓	✓	✓	✓	✓	✓	✓	(7)
4.	Dr. Sami M. Baroum	✓	✓	✓	✓	✓	✓	✓	(7)
5.	Mr. Ibrahim M. Al Issa	✓	×	✓	×	✓	✓	✓	(5)
6.	Mr. Abdulaziz K. Al Ghufaily	✓	✓	✓	✓	✓	✓	✓	(7)
7.	Mr. Ammar A. Al Khudairy	×	✓	×	×	✓	✓	✓	(4)
8.	Dr. Ghassan A. Al Sulaiman	✓	✓	✓	✓	×	✓	✓	(6)
9.	Mr. Mohammad A. Al Fadl	✓	×	✓	✓	✓	✓	✓	(6)
10.	Mr. Mousa O. Al Omran	✓	✓	✓	✓	✓	✓	✓	(7)
11.	Mr. Badr Abdullah Al-Issa	✓	✓	✓	✓	✓	✓	✓	(7)

e-3) Executive Board Team:

The Savola Group's Executive Board's role is to implement the strategies, plans and policies approved by the Board of Directors. It also monitors the performance of Group sectors and ensures their adherence to plans, policies, regulations, and ethical standards of the Group. The Executive Board meets on monthly basis to review and monitor progress. There are also sub-committees and task forces at subsidiaries level to assist in the management and supervision and control over implementation:

The Executive Board members are detailed as follows:

#	Name	Position	Qualifications
1.	Dr. Abdulraouf M. Mannaa	Group Managing Director	As mentioned above
2.	Mr. Abderrahim Maaraf	CEO, Foods Sector	Diploma of Higher Institute of Trading and Contracting-Morocco. Bachelor of Financial Management (1983). Master of Business Administration (1985).
3.	Eng. Azhar M. Kenji	CEO, Plastic Sector	Bachelor of Industrial Engineering, King Abdul-Aziz University, (1985).
4.	Mr. Muwaffaq M. Jamal	CEO, Retail Sector	Bachelor of Science in Accounting, King Fahd University of Petroleum & Minerals Dhahran, Saudi Arabia, (1988).
5.	Mr. Gerard Lawlor	Group CFO	Fellow of Charted Accountants Ireland and a member of the Institute of Charted Accounts in Australia.
6.	Mr. Mahmoud M. Abdul Ghaffar	Chief of Corporate Affairs & Board Secretary	Bachelor of Industrial Safety & Security, San Francisco University, USA, (1985).

e-4) Board of Directors and Senior Executive Remuneration:

The Group pays annual remuneration, meetings attendance fees, and other expenses for its Boards and sub-committee members based on the rules and regulations stipulated by the Ministry of Commerce & Industry and in accordance with the Group Article of Association and the Group's Corporate Governance Manual, which the Board recommends to be ratified by the esteemed AGM as detailed below. It also pays salaries and benefits to its executives based on the contracts signed by them. Summaries of the compensation and benefits paid to Board Members and Senior Executives during 2012 are as follows:

e-4-1) Board Members' Remuneration for 2012, (Saudi Riyals):

#	Name of Board member	Board & Committees Meetings attendance fees & other allowances SAR	Annual Remuneration SAR	Total SAR
1.	Mr. Sulaiman A.K. Al-Muhaidib (Chairman)	43,040	200,000	243,040
2.	Eng. Abdullah M. Noor Rehaimi (Vice Chairman)*	65,000	200,000	265,000
3.	Dr. Abdulraouf M. Mannaa (Managing Director)	80,000	200,000	280,000
4.	Dr. Sami M. Baroum	45,000	200,000	245,000
5.	Mr. Ibrahim M. Al Issa	25,000	200,000	225,000
6.	Mr. Abdulaziz K. Al Ghufaily	91,300	200,000	291,300
7.	Mr. Ammar A. Al Khudairy	60,060	200,000	260,060
8.	Dr. Ghassan A. Al Sulaiman	63,530	200,000	263,530
9.	Mr. Mohammad A. Al Fadl	43,530	200,000	243,530
10.	Mr. Mousa O. Al Omran	43,530	200,000	243,530
11.	Mr. Badr Abdullah Al-Issa	114,528	200,000	314,528
	Total	674,518	2,200,000	2,874,518

e-4-2) Senior Executive compensation for 2012 (Saudi Riyals):

#	Description	Group Managing Director (Dr. Abdulraouf M. Mannaa as CEO) SAR	Other Executives in the Group (5 members including the CFO) SAR
1.	Salaries	3,000,000	5,828,000
2.	Allowances	1,120,460	2,237,337
3.	Exceptional Remuneration	0	430,300
4.	Regular and Annual Remuneration	13,718,858	4,947,500
	Total	17,839,318	13,443,137

* Note: The amount mentioned in the above Table (e-4-2) represents the annual remuneration for the Group Managing Director paid to him in his capacity as Group's CEO according to the contract signed with him in this connection. The CEO performance bonus is calculated based on certain agreed criteria and KPIs as per the contract. This amount does not include the remuneration paid to the CEO in his capacity as a Board Member, which was detailed in Table # (e 4-1).

f) Board of Directors Committees:

The Savola Group Board has five sub-committees, the membership of which comprises of Board Members, External Independent Specialists, and Savola Senior Executives, these Committees have special charters, approved by the Group Board, to govern their scope of work and related procedures, these Committees are follows:

f-1) Audit Committee:

The Group's Audit Committee (the Committee) consists of four Non-executive Members, including specialists in financial and accounting affairs. During 2012, the Committee held five meetings with the primary objective of assisting the Board of Directors (BoD) in fulfilling its oversight responsibilities as defined by laws and regulations. During these meetings, the Committee monitored the Group's external and internal audit activities to obtain reasonable assurance regarding the effectiveness of internal control procedures, the reliability of financial reports and compliance with applicable laws and regulations. The following summarizes the Committee Members' names, roles and number of meetings attended during the year:

			Meetings held during 2012					
	Name of Committee Member	Position	(1) 17 Jan.	(2) 20 Feb.	(3) 17 Apr.	(4) 18 July	(5) 16 Oct.	Total
1.	Mr. Abdulaziz K. Al Ghufaily (Savola Group BoD Member)	Chairman	✓	✓	✓	✓	✓	5
2.	Mr. Bader Abdullah Al-Issa (Savola Group BoD Member)	Member	✓	✓	✓	✓	✓	5
3.	Dr. Muhammed Ali Ikhwan (Independent External Member)	Member	✓	✓	✓	✓	✓	5
4.	Mr. Bandar Saeed Omar Al-Esayi (Independent External Member)	Member	✓	✓	×	✓	✓	4
5.	Mahmoud M. Abdul Ghaffar (Chief of Corporate Affairs & Board Secretary)	Committee Secretary	✓	✓	✓	✓	✓	5

Main Duties & Responsibilities

The Committees' main duties and responsibilities include oversight of : (1) The integrity of the Group's financial statements, (2) The appointment, remuneration, qualifications, independence and performance of the External Auditors and the integrity of the audit process as a whole, (3) The effectiveness of the systems of internal control and adequacy of risk management framework, (4) The performance and leadership of the Internal Audit function, (5) The Group's compliance with applicable laws and regulations. In addition to those expressly set forth herein, the Committee has such other duties and responsibilities as are required by the rules and regulations of the Capital Market Authority in the Kingdom of Saudi Arabia.

The Committee's remuneration: The annual payments to the Members of the Committee amounted to SAR 198,000, out of which SAR 100,000 represents annual remuneration and SAR 98,000 represents meeting attendance fees and travel expenses. (The Group's policy is that members of the Committee who are also members of the Group's BoD do not receive annual remuneration for their membership of the Committee, but rather attendance fees only).

As part of the Committee main duties and responsibilities, the Committee recommended to the BoD the re-appointment of PricewaterhouseCoopers (PwC) as the Group's External Auditors for a fee of SAR 210,000 to review the quarterly accounts and audit the yearly accounts of the Savola Group for 2012. The Committee reviews the Group's accounts with the External Auditors and recommended to the BoD the distribution of profits during the year. The Committee also reviews the Group's annual financial statements, clarification notes and External Auditor's Independent Report, to ensure that the accounting policies applied by the Group in the preparation of its financial statements are in accordance with the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). PwC attends all meetings of the Committee. At each meeting, PwC reports on the findings of its audit and/or interim review work. The Head of the Internal Audit & Risk Management function formally presents to the Committee the results of the Internal Audit & Risk Management activities during the year on a regular basis.

The Annual Review of the effectiveness of internal control procedures of the Group is based on the following procedures:

- The Executive Management of the Group and its subsidiaries certifies on an annual basis their responsibility for establishing and maintaining internal control procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations.
- The Internal Audit & Risk Management function at the Group and its subsidiaries execute the Annual Audit Plan approved by the Committee to evaluate the existing condition of internal control procedures through selecting randomly a sample with the objective of testing the effectiveness and efficiency of internal control procedures operating during the year.

Based on the results of the Annual Review of internal control procedures selected for testing during 2012 by the Committee and the Group's Internal Audit & Risk Management function, nothing came to the Committee's attention that caused them to believe that there is a need to disclose any significant deficiency in the internal control procedures established by the Group and its subsidiaries' Executive Management. However, we emphasize that due to the geographical spread of the Group's operations locally and regionally we cannot conclude exclusively on the comprehensiveness of the internal control procedures review performed because the internal audit activities, in substance, rely on selecting random samples as abovementioned. Accordingly, the Committee's efforts are focused continuously to develop and improve the effectiveness and efficiency of the internal control procedures review mechanism that are in place.

f-2) Compensation, Nominations & Corporate Governance Committee:

The committee consists of four members, three Non-executive Members and one Independent Member. The Committee held only one meeting during 2012, and the list of members, attendance records and the role of the Committee are summarized below:

			Meeting Date during 2012	
#	Name	Position	19th November	Number of Meetings
1.	Dr. Ghassan A. Al Sulaiman	Chairman	✓	1
2.	H.E. Eng. Abdullah Mohammed Noor Rehaimi	Member	✓	1
3.	Mr. Mousa O. Al Omran	Member	×	-
4.	Mr. Mohammad A. Al Fadl	Member	✓	1
5.	Mr. Mahmoud M. Abdul Ghaffar	Committee Secretary	✓	1

Main Roles & Responsibilities

To recommend to the Board of Directors' the membership appointments for Board, sub-Board and Committees in accordance with the Group required standards. To conduct an Annual Review of the suitable skills required for Board Membership, prepare a description of the capabilities and qualifications required for such membership. To review the structure of the Board and determine areas of strength and weakness in the Board of Directors performance and recommend changes. In addition, the Committee draws clear policies regarding the indemnities, remunerations and succession plan of the Board Members and top executives to ensure that such policies meet the Group's performance standards. In addition, the Committee follows up the implementation of these policies and ensures Board independence on annual basis. Also, the Committee is responsible for compliance with Corporate Governance regulations and investigation and settlements of grievances cases of employees.

The Committee Remuneration: Members received the amount of SAR 15,000, which represents meeting attendance fees for the meeting held during the year, (The Group policy is that Members of the Committee who are also Members of the Group Board do not receive annual remunerations for their membership of the Committee, but rather attendance fees only).

Board Assessment:

Pursuant to paragraph (4) of Article (15) of Corporate Governance regulation issued by CMA and the Group Corporate Governance Code, the Group is currently carrying out an independent assessment of the Board of Directors' performance; the assessment was commissioned with an independent consultant specializing in Board Assessments. This exercise aims to identify the strengths and weaknesses in accordance with CG requirements and then develop an action plan to enhance the Board's performance. This task includes interviews with Board Members and the holding of a workshop to develop specified criteria for evaluation. The consultants also carry-out a survey amongst Board Members through questionnaires and the results of interviews and workshops will be integrated into an action plan as indicated above.

f-3) Risk Management Committee:

This committee has 6 members, the majority of them are Non-executive Members, each with relevant experience and qualifications. The Committee's role is to manage risks across the Group and its subsidiaries. The Committee held two meetings in 2012 and the list of Members, attendance records, and the role of the Committee are summarized below:

			Meeting Dates during 2012		
#	Name	Position	(1) 24th July	(2) 6th October	Total
1.	Mr. Ammar Al Khudairy	Chairman	✓	✓	2
2.	Dr. Abdulraouf M. Mannaa	Member	✓	✓	2
3.	Eng. Abdullah M. N. Rehaimi	Member	✓	✓	2
4.	Dr. Sami M. Baroum	Member	✓	✓	2
5.	Mr. Badr Abdullah Al-Issa	Member	✓	✓	2
6.	Mr. Omar Abdullah Ba-Junaid (External member/(independent)	Member	✓	✓	2
-	Mr. Mahmoud M. Abdul Ghaffar	Committee Secretary	✓	✓	2

Main Roles & Responsibilities

To improve continuously the Risk Management Policies and monitor their implementation; supervise all plans and strategies concerning major risks faced by the Group and subsidiaries; monitor geographical expansion risks, monitor risks and risks relating to the purchase of raw materials & commodities and agreeing on future contracts. The Committee advises the Board on how to manage and mitigate these risks.

The Committee's Remuneration: Members received the amount of SAR 110,000, of which SAR 50,000 was paid to the External Member and SAR 60,000 represents meeting attendance fees for Committee Members (The Group's policy is that Members of the Committee who are also Members of the Group Board do not receive annual remuneration for their membership of the Committee but rather attendance fees only).

Major risks facing the Group Business:

The Group operates in an economic sector with potential risks like any other economic sector. As an economic entity, the Group is exposed to certain risks due to the nature of the commercial activities relating to basic commodities such as sugar and edible oils, in addition to the raw materials of the plastics industry. Key risks are represented by the possibility of Group operations being exposed to fluctuations in raw material prices and currencies, dumping, and acute and unfair competition in pricing in the local and regional markets in which it operates. There are also economic and political risks in the countries where it operates and risks penetrating to new markets in the region in line with the Group's geographic expansion strategy. In addition, there are risks that face the Group from its various investment shareholdings in different companies and funds locally and internationally. The Group manages these risks through its Board of Directors, Risk Management Committee, Risk Operating Committees various departments and task forces within the Group.

f-4) Investment Committee:

The Investment Committee was formed with 5 members to develop criteria, standards and plans for the Group's investment activities. The Committee held 3 meetings during 2012. This committee reviews opportunities before they are presented to the Board, makes recommendations to the Board accordingly, and then monitors progress on these recommendations. The list of members, attendance records and the role of the Committee are summarized below:

			Meeting Dates during 2012			
#	Name of the Member	Position	(1) 10 Mar.	(2) 24 Jul.	(3) 6 Oct.	Total
1.	H.E. Eng. Abdullah M. N. Rehaimi Vice Chairman - Savola BoD Member	Chairman	✓	✓	✓	3
2.	Mr. Ammar Abdulwahid Al Khudairy, Savola BoD Member	Member	✓	✓	✓	3
3.	Dr. Abdulraouf M. Mannaa, MD Savola BoD Member	Member	✓	✓	✓	3
4.	Mr. Abdulaziz K. Al Ghufaily Savola BoD Member	Member	✓	✓	✓	3
5.	Mr. Badr Abdullah Al-Issa, Savola Group BoD Member	Member	✓	✓	✓	3
-	Mr. Mahmoud M. Abdul Ghaffar	Committee Secretary	✓	✓	✓	3

Roles & Responsibilities

Define, study, and evaluate investment opportunities within the Group and core sectors in Saudi Arabia and overseas in line with the Group's defined strategy and recommend findings to the Group's Board of Directors.

The Committee Remuneration: Members received the amount of SAR 83,800, which represents attendance fees and travel expenses for Committee Members (The Group's policy is that the Members of the Committee who are also Members of the Group's Board do not receive annual remunerations for their membership of the Committee, but rather attendance fees only).

f-5) Corporate Social Responsibility Committee (CSR):

The CSR Committee consists of 5 members, each with relevant experience. Fulfilling its roles and responsibilities, the Committee held 4 meetings in 2012 and the list of members, attendance records, and the role of the Committee are summarized below:

CSR Committee Members and their attendance records during 2012:

			Meeting Dates during 2012				
#	Name	Position	(1) 3rd Jan.	(2) 10 Apr.	(3) 29 Jul.	(4) 19 Nov.	Total
1.	Dr. Ghassan A. Al Sulaiman	Chairman	✓	✓	✓	✓	4
2.	Dr. Abdulrouf M. Mannaa	Member	✓	✓	✓	✓	4
3.	Dr. Al-Sharif Zeid Al Ghalib (External member (Independent)	Member	×	×	✓	✓	2
4.	Dr. Mervat Ahmed Tashkandi (External member (Independent)	Member	✓	✓	✓	✓	4
5.	Mr. Mahmoud M. Abdul Ghaffar	Member & Committee Secretary	✓	✓	✓	✓	4

Main Roles & Responsibilities

Activate the Group's role in CSR through adoption of CSR initiatives and programs, set criteria and develop plans to serve the community.

The Committee Remuneration: Members received the amount of SAR 190,000 of which SAR 100,000 represent Annual Remuneration and SAR 90,000 represents meeting attendance fees for Committee Members (The Group's policy is that Members of the Committee who are also Members of the Group's Board do not receive annual remunerations for their membership of the Committee, but rather attendance fees only).

g) Board Members interest and changes during the year 2012:

#	Name (All Saudi nationals)	# of Shares at the beginning of 2012	# of Shares at the end of 2012	Variance	Cash dividends paid in 2012 SAR	Relative ownership changes during the year
1.	Mr. Suliaman A.K.Al-Muhaidib	1,000	1,000	-	900	None
2.	H.E. Eng. Abdullah M. N. Rehaimi*	1,762	1,762	-	1,585.80	None
3.	Dr. Abdulraouf M. Mannaa	1,000	1,000	-	900	None
4.	Mr. Ibrahim M. Al Issa	200,000	3,000	-197,000	1,200,900	None
5.	Dr. Sami M. Baroum	2,667	2,667	-	2,400.30	Included
6.	Mr. Abdulaziz K. Al Ghufaily	1,000	1,000	-	900	None
7.	Mr. Ammar A. Al Khudairy	60,000	60,000	-	54,000	None
8.	Dr. Ghassan A. Al Sulaiman	34,594	25,094	-9,500	25,434.60	None
9.	Mr. Mohammad A. Al Fadl	6,304	6,304	-	5,673.60	Included
10.	Mr. Mousa O. Al Omran	6,304	6,304	-	5,673.60	None
11.	Mr. Badr Abdullah Al-Issa*	1,025	1,025	-	922.50	None

*Note: the cash dividends for Board Members mentioned above include the first three quarters' dividends, which have already been paid by the Company and fourth quarter dividends will be paid after AGM approval.

h) Senior Executives Interest and changes during the year 2012:

#	Name	# of Shares at the beginning of 2012	# of Shares at the end of 2012	Variance at during the year	Cash dividends paid in 2012 SAR	# of Shares of immediate relatives
1.	Dr. Abdulraouf M. Mannaa	As mentioned in previous table related to the Board members interests.				
2.	Mr. Maaraf Abderrahim	0	0	0	0	None
3.	Eng. Azhar M. Kenji	24,433	25,550	1,117	22,324.80	None
4.	Mr. Muwaffaq M. Jamal	1,000	1,000	-	900	None
5.	Mr. Nouman Farrukh	0	0	0	0	None
6.	Mr. Gerard Lawlor	0	0	0	0	None
7.	Mr. Mahmoud M. Abdul Ghaffar	12,500	12,500	0	11,250	Included

Note: The cash dividends for Executives mentioned above includes the first three quarters dividends, which have already been paid by the Company and the fourth quarter dividends which will be paid after AGM approval.

i) Related Party Transactions

During the year 2012, the Group carried-out transactions with related parties in the ordinary course of business. These transactions carried out by the Group follow the same conditions and principles in dealing with third parties. The Group's related parties include: the Group Board Members, major shareholders, Senior Executives and any of their first degree relatives pursuant to the CMA and the Ministry of Commerce and Industry regulations. In this regard, and as per these regulations which require the disclosure of such transactions, the details are as follows:

Related Party Transactions (Continued..)

#	The Related Party	Relation	Type of the Transaction
1)	Abdulkader Al-Muhaidib & Sons Co., which owns 8.5% of Savola Group and chaired by Mr. Suliaman A. Al-Muhaidib, who is also the Chairman of Savola Group's Board of Directors.	Major Shareholder & Board Membership	During the fiscal year 2012, the Group through its Subsidiaries (in Retail and Foods sectors) executed transactions & entered into commercial contracts with Abdulgadir Al-Muhaidib & Sons Co., the total value of these transactions amounted to SAR185 million details of which are as follows : • The United Sugar Company (a subsidiary of Savola Group) under specific supply contracts, sold sugar products to Al-Muhaidib Foods Company (a subsidiary of Muhaidib & Sons Co.) with a total value of SAR 92 million. • Al-Azizia Panda United Co. (a Subsidiary of Savola Group) under Supply Contracts, purchased foods products from Al-Muhaidib Food Company with a total value of SAR 93 million. It is to be noted that such deals were in place between the two Companies before the appointment of Mr. Suliaman Al-Muhaidib as a Board Member of the Savola Group Board of Directors, and the Board recommends ratifying these transactions and renewing these supply contracts for the coming year
2)	Herfy Food Services Co., a public listed company, in which Savola Group owns 49% (direct and indirect); Savola has four members on the Herfy Board of Directors who are also Members of the Savola Group Board of Directors.	Board membership and Savola directly owns over 30% of the Company	The Group through its Subsidiaries (in the Food, Retail and Plastic Sectors) executed some transactions and commercial contracts with Herfy Co. with a total value of SAR 37.66 million, the Board recommends ratifying the transactions listed below and authorize their renewal for the coming year. Details of the transactions and contracts are as follows : • A contract with a total value of SAR 35.2 million, which represents rental of shops and retail sales of food products) between Herfy Foods Services Co. and Al-Azizia Panda United Company (a subsidiary of Savola Group) • A contract with a total value of SAR 2.17 million, which represents edible oils products, sold by Afia International Co. (a subsidiary of Savola Group) to Herfy. • A contract with a total value of SAR 290.4 thousand, which represents Plastic Products sold by Al-Sharq Plastics Co. (a wholly subsidiary of Savola Group) to Herfy.
3)	Almarai Co., a public listed company, in which Savola Group owns 36.52%; Savola Group has two representatives on the Almarai Board of Directors who are also Members of the Savola Group Board of Directors.	Board Representation & Major Shareholder owning over 30% of Almarai Company	The Group represented by its subsidiaries executed during the year 2012 with Almarai, transactions and supply contracts for food products for Al-Azizia Panda Stores in the ordinary course of business, with a total value of SAR 511.7 million, the Board recommends to ratify these transactions and authorizes the renewal of these dealings for the coming year. • Al Azizia Panda United (One of the Savola Group subsidiaries) purchased foods goods from Almarai with a total value of SAR 321.3 million. • Afia International Company (one of Savola Group's subsidiaries) sold edible oil products with a total value of SAR 500 thousand. • United Sugar Company (One of Savola Group's subsidiaries) sold to Almarai white sugar with a total value of SAR 74.5 million. • Savola Plasvtic Company had commercial deals with Almarai in 2012 with a total value of SAR 115.4 million.

#	The Related Party	Relation	Type of the Transaction
4)	MASC Holding Co. which owns 12% of Savola Group.	Mr. Mohammed Ibrahim Al Issa is the major owner of MSC Holding Co.	Within the additional shareholding which Savola Group purchased of Almarai share capital in 2012 and raised Savola Group ownership from 29.95% to 36.52%, the Group has purchased 12.7 million shares - through its broker Samba Financial Group - from the investment portfolio owned by Mr. Mohammed Ibrahim Al-Issa's at Riyad Capital at price of SAR 75 per share. The Group also purchased from other non-related shareholders in Almarai for the same price.

Note: The Consolidated financial statements of the Group for 2012 also include within the accompanying notes, additional details of the matters and transactions involving related parties, which occurred in the ordinary course of business of the Group, its associates and subsidiaries.

j) Board Declaration, as per CMA Corporate Governance Code:

In accordance with the requirements of Article (43) of the Registration and Listing Rules, to ensure the Group's Board commitment to highlight the applicable and non-applicable requirments under this Article, in addition to the other requirments of para (23) under the same Article, the Board confirms the following:

1. The Company's accounting records were properly prepared.
2. Savola Group's internal control systems and procedures are properly developed and effectively executed.
3. There are no doubts about the Group's ability to continue its business activities.
4. 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.
5. None of the Group Board Member's, Executives own any shares in any of the Savola Group subsidiaries, no contracts were performed with any one of them during the year except the transaction disclosed above in the Related Party Transactions section.
6. The Group has not granted any cash loans whatsoever to any of its Board Members or rendered guarantees with respect to any loan entered into by a Board Member with third parties.
7. The Group does not have debt instruments that are transferable to shares. But the Board of Directors and Shareholders have approved during 2012 to issue Sukuk for an amount not exceeding the Company's share capital. The first tranche of Sukuk with a total value of SAR 1.5 billion were issued in January 2013.
8. Regarding notifications of ownership of large holdings of shares or debt instruments and any change during the year in accordance with Article (45) of the Listing Rules, the Group would like to confirm that it did not receive any notification from large owners with regard to any change in ownership during the fiscal year 2012, and the information included in this Report relating to major ownership percentages and changes during the year are based on the records of the Saudi Stock Exchange (Tadawul).

9. No contract or agreement or any arrangement has been made under which a shareholder, Director, Senior Executive or an employee of the Group can waive his or her dividends or any emolument or compensation.

10. There are no punishments, penalties or preventive restrictions imposed on the company by the CMA or any other supervisory, regulatory or judiciary body.

11. The Group does not have preferred shares or shares with special priority in voting, issued to shareholders, Directors or employees. All shares of the Group are ordinary shares of equal nominal value and rank equally in voting and other rights as per regulations.

12. 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.

13. The external Auditors did not provide consultancy services to the Group during 2012 and did not receive any fees in this regard.

k) Compliance with Corporate Governance regulations issued by the CMA for the year 2012: (Comply & Explain)

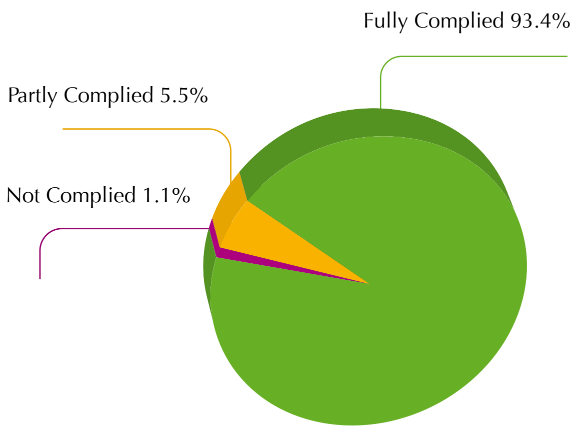
The Board acknowledges that the Group during the year 2012 implemented all the laws of Corporate Governance issued by the Capital Market Authority (CMA), except for the article concerning the cumulative voting style. The following table shows what has been applied from the laws and regulations and what is not applied and the reasons for non-application, which is mainly due to the non-applicability of certain Articles.

Compliance in Corporate Governance with regulations issued by the CMA for the year 2012 (As per Form 8)

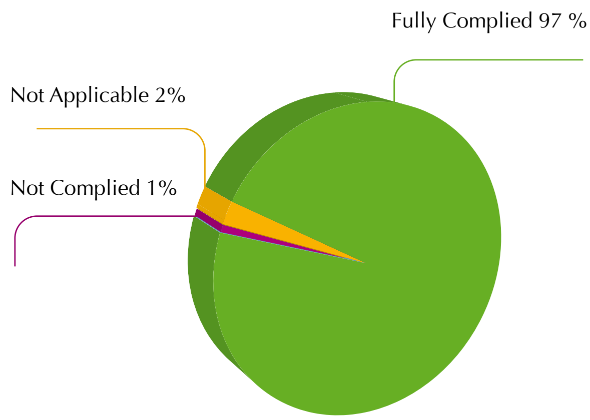
SN	Article number in accordance with Corporate Governance Regulations	Number of Clauses	Complied	Partially Complied	Not Complied	N/A	Reasons for Non or Partial Compliance
1	Article 3 and Paragraph (A) of Article 4. General Rights of Shareholders and Facilitation of Shareholders' Exercise of Rights and Access to Information	6	6				
2	Paragraph (B) of Article 4. Facilitation of Shareholders' Exercise of Rights and Access to Information	3	3				
3	Article 5. Shareholders Rights Related to the General Assembly	10	10				
4	Article 6. Voting Rights	3	2		1 clause (b)		Article 6, clause (b): The Company's Articles of Association do not show that the cumulative voting technique is applied in voting in the General Assembly for the nomination of the Board Members, as this has been voted against by the General Assembly. In addition, the Group has not conducted any nomination for its Board Members for year 2012, as the current Board Cycle will expire on June 30, 2013.

SN	Article number in accordance with Corporate Governance Regulations	Number of Clauses	Complied	Partially Complied	Not Complied	N/A	Reasons for Non or Partial Compliance
5	Article 7. Dividends Rights of Shareholders	2	2				
6	Article 8. Disclosures Policies and Procedures	1	1				
7	Article 9. Disclosures in the Board of Directors Report	8	8				
8	Article 10. Main Functions of the Board	6	6				
9	Article 11. Responsibilities of the Board	9	9				
10	Article 12. Formation of the Board	11	10			1 clause (4) Item (f)	Company bylaws do not include giving any legal person the right to appoint its representatives for Board Membership, in accordance with item (f), clause (4), Article (12).
11	Article 13. Committees of the Board	3	3				
12	Article 14. Audit Committee	3	3				
13	Article 15. Nomination and Remuneration Committee	3	3				
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				
17	Article 43. Disclosure in Board of Directors Report	24	23			1 clause (24)	Article 43, clause (26): The External Auditor has completed only one year and there is no intention for replacement, as per the Board's recommendation to the General Assembly in current year's Annual Report.
		100	97	0	1	2	
		100 %	97 %	0%	1 %	2 %	

Below is a chart summarizing the results of the Independent Assessment of Savola Compliance with Corporate Governance Regulations for the year 2012 compared to 2011:



2011



2012

To confirm the results of the above assessment, and the basis of the principle of independence in assessing and the Company's commitment to Corporate Governance standards, the Group has appointed Ernst & Young (EY) to carry out a comparison of the current Corporate Governance practice applied by the Group during 2012 with the code of Corporate Governance issued by the Saudi Arabian Capital Market Authority (CMA) pursuant to Resolution no. 1-212-2006 dated 21 Shawwal 1427H corresponding to November 12, 2006. This exercise compares the Group's commitment during the year 2012 to the CG code issued by the CMA, which contains 100 Articles and the Group's compliance with these Articles was 97%.

Thanks and Appreciation

The Board of Directors take this opportunity to extend thanks and appreciation to the Custodian of the Two Holy Mosques and to His Royal Highness The Crown Prince – God bless them- for their special endeavors 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 provided to the industrial and private sector in the Kingdom. The Board would also like to thank all Saudi citizens for the trust and loyalty they have placed in Savola and its products. The Board further thanks Savola's shareholders, the group's management, subsidiaries and employees for their efforts, support, and commitment during 2012. The Board looks forward to further achievements in 2013.

We pray to Almighty God for continuous success.

The Savola Group, Board of Directors.

Consolidated Financial Statements For The Year Ended December 31, 2012

1. Independent Auditors' Report
2. Consolidated Balance Sheet
3. Consolidated Income Statement
4. Consolidated Cash Flow Statement
5. Consolidated Statement of Changes in Shareholders' Equity
6. Notes to the Consolidated Financial Statements

3

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Savola Group Company:

(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Savola Group Company (the "Company") and Subsidiaries (collectively the "Group") as of December 31, 2012 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such consolidated financial statements taken as a whole:

Present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of consolidated financial statements.

PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

February 16, 2013

By: Ibrahim R. Habib
License Number 383

PricewaterhouseCoopers, License No. (25)
Licensed Partners: Omar M. Al Sagga (369), Khalid A. Mahdhar (368),
Mohammed Al. Al Obaidi (367), Ibrahim R. Habib (383).

Consolidated Balance Sheet

(All amounts in Saudi Riyals thousands unless otherwise stated)

As at December 31,

	Note	2012	2011
Assets			
Current assets			
Cash and cash equivalents	5	943,259	1,214,084
Accounts receivable	6	1,447,960	1,815,640
Inventories	7	3,973,422	3,152,449
Prepayments and others receivables	8	1,993,898	1,424,242
Assets classified as held for sale	9	186,353	167,398
		8,544,892	7,773,813
Non-current assets			
Long term receivables	10.3	167,899	308,678
Investments in associates and other investments	10	7,526,660	5,332,161
Property, plant and equipment	11	5,779,951	5,384,430
Intangible assets	12	1,322,133	1,302,294
		14,796,643	12,327,563
Total assets		23,341,535	20,101,376
Liabilities			
Current liabilities			
Short-term borrowings	13	3,527,275	2,755,429
Current maturity of long-term borrowings	14	910,952	656,103
Accounts payable	15	2,744,204	2,718,927
Accrued and other liabilities	16	1,961,259	1,428,521
Liabilities classified as held for sale	9	159,239	181,299
		9,302,929	7,740,279
Non-current liabilities			
Long-term borrowings	14	3,612,246	2,821,494
Deferred tax liability	16	33,583	-
Deferred gain	17	103,193	103,181
Long-term payables	18	53,781	58,342
Employee termination benefits	19	353,751	307,263
		4,156,554	3,290,280
Total liabilities		13,459,483	11,030,559

Continued...

Consolidated Balance Sheet (continued)

(All amounts in Saudi Riyals thousands unless otherwise stated)

As at December 31,

	Note	2012	2011
Equity			
Share capital	21	5,000,000	5,000,000
Statutory reserve	22	1,217,231	1,077,010
General reserve		4,000	4,000
Retained earnings		2,540,166	2,005,378
Others reserves	10	(5,701)	(808)
Effect of acquisition transactions with non-controlling Interest without change in control		2,042	(59,443)
Currency translation differences		(471,068)	(303,670)
Equity attributable to shareholders' of the parent company		8,286,670	7,722,467
Non-controlling interest		1,595,382	1,348,350
Total equity		9,882,052	9,070,817
Total liabilities and equity		23,341,535	20,101,376
Contingencies and commitments	30		

The notes on pages 89 to 127 form an integral part of these consolidated financial statements.

Consolidated Income Statement

(All amounts in Saudi Riyals thousands unless otherwise stated)

Year ended December 31,

	Note	2012	2011
Revenues	4, 20	27,391,493	25,195,702
Cost of sales	20	(22,629,925)	(21,224,980)
Gross profit		4,761,568	3,970,722
Share in net income of associates and dividend income of available-for-sale investment - net	10.1, 10.2	578,567	440,613
Other income - net	25	73,721	96,767
Total Income		5,413,856	4,508,102
Operating expenses			
Selling and marketing	20, 23	(2,367,292)	(2,144,813)
General and administrative	20, 24	(590,317)	(562,472)
Total expenses		(2,957,609)	(2,707,285)
Income from operations		2,456,247	1,800,817
Other income (expenses)			
Gain on disposal of investments	10	46,651	152,781
Impairment loss and cost of projects written off	12	-	(35,366)
Financial charges - net	26	(427,381)	(317,472)
Income before zakat and foreign income tax		2,075,517	1,600,760
Zakat and foreign income tax	16	(268,148)	(132,024)
Net income for the year		1,807,369	1,468,736
Net income attributable to:			
Shareholders' of the parent company		1,402,209	1,202,376
Non-controlling interest's share of year's net income in subsidiaries		405,160	266,360
Net income for the year		1,807,369	1,468,736
Earnings per share (in Saudi Riyals):	28		
• Operating income		4.91	3.60
• Net income for the year attributable to the shareholders' of the parent company		2.80	2.40

The notes on pages 89 to 127 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

(All amounts in Saudi Riyals thousands unless otherwise stated)
Year ended December 31,

	2012	2011
Cash flow from operating activities		
Net income for the year	1,807,369	1,468,736
Adjustments for non-cash items		
Depreciation, amortization, impairment and amortization of deferred gain	564,007	558,234
Share in net income of associates	(568,793)	(436,863)
Financial charges - net	427,381	317,472
Gain from disposal of investments	(46,651)	(152,781)
Gain on sale of property, plant and equipment	(3,542)	(10,087)
Changes in working capital		
Accounts receivable	367,680	(71,319)
Inventories	(820,973)	(596,908)
Prepayments and other receivables	(661,925)	174,191
Accounts payable	25,277	486,910
Accrued and other liabilities	554,871	(195,281)
Employee termination benefits	46,488	31,157
Net cash generated from operating activities	1,691,189	1,573,461
Cash flow from investing activities		
Dividends received	228,098	222,303
Proceeds from sale of investments	173,049	142,069
Change in long term receivables	140,779	-
Effect of acquisition transaction with non-controlling interest without change in control	61,485	-
Proceeds from sale of property, plant and equipment	55,853	94,807
Addition to deferred charges	(51,309)	(37,054)
Purchase of property, plant and equipment	(1,070,183)	(674,044)
Additions to investments	(1,997,832)	(219,892)
Cash effect of consolidation of an associate	-	141,313
Acquisition of subsidiaries, net of cash	-	(445,642)
Net change in other investments	-	7,864
Net cash utilized in investing activities	(2,460,060)	(768,276)

Continued...

Consolidated Cash Flow Statement (continued)

(All amounts in Saudi Riyals thousands unless otherwise stated)
Year ended December 31,

		2012	2011
Cash flow from financing activities			
Net change in short-term borrowings		771,846	644,686
Additions to long-term borrowings		1,550,000	1,045,010
Repayments of long-term borrowings		(504,399)	(909,257)
Net change in restricted deposits financing		8,479	(20,963)
Changes in non-controlling interest		(158,128)	(112,841)
Financial charges - net		(427,381)	(317,472)
Dividends paid		(742,371)	(497,678)
Net cash generated from (utilized in) financing activities		498,046	(168,515)
Net change in cash and cash equivalents		(270,825)	636,670
Cash and cash equivalents at beginning of year		1,214,084	577,414
Cash and cash equivalents at end of year		943,259	1,214,084
Supplemental schedule of non-cash information			
Directors' remuneration		2,200	2,200
Other reserves	10	(4,893)	89,304
Currency translation differences	10	(167,398)	(73,244)
Investment properties classified as held for sale	8	-	467,359

The notes on pages 89 to 127 form an integral part of these consolidated financial statements,

Notes to the consolidated financial statements for the year ended December 31, 2012
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	General Reserve	Other reserves	Effect of acquisition transaction with non-controlling interest without change in control	Currency translation differences	Retained earnings	Total shareholders equity	Non-controlling interest	Total equity
January 1, 2012		5,000,000	1,077,010	4,000	(808)	(59,443)	(303,670)	2,005,378	7,722,467	1,348,350	9,070,817
Net income for the year		-	-	-	-	-	-	1,402,209	1,402,209	405,160	1,807,369
Transfer to statutory reserve	22	-	140,221	-	-	-	-	(140,221)	-	-	-
Dividends	29	-	-	-	-	-	-	(725,000)	(725,000)	-	(725,000)
Other reserves adjustment	10	-	-	-	(4,893)	-	-	-	(4,893)	-	(4,893)
Currency translation differences		-	-	-	-	-	(167,398)	-	(167,398)	-	(167,398)
Directors remuneration	20	-	-	-	-	-	-	(2,200)	(2,200)	-	(2,200)
Acquisition of non-controlling interest without change in control		-	-	-	-	61,485	-	-	61,485	-	61,485
Other changes in non-controlling interests		-	-	-	-	-	-	-	-	(158,128)	(158,128)
December 31, 2012		**5,000,000**	**1,217,231**	**4,000**	**(5,701)**	**2,042**	**(471,068)**	**2,540,166**	**8,286,670**	**1,595,382**	**9,882,052**
January 1, 2011		5,000,000	956,772	4,000	(90,112)	(45,637)	(230,426)	1,425,440	7,020,037	1,194,831	8,214,868
Net income for the year		-	-	-	-	-	-	1,202,376	1,202,376	266,360	1,468,736
Transfer to statutory Reserve	22	-	120,238	-	-	-	-	(120,238)	-	-	-
Dividends	29	-	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Other reserves adjustment	10	-	-	-	89,304	-	-	-	89,304	-	89,304
Currency translation differences		-	-	-	-	-	(73,244)	-	(73,244)	-	(73,244)
Directors remuneration	20	-	-	-	-	-	-	(2,200)	(2,200)	-	(2,200)
Acquisition of non-controlling interest without change in control		-	-	-	-	(13,806)	-	-	(13,806)	-	(13,806)
Other changes in non-controlling interests		-	-	-	-	-	-	-	-	(112,841)	(112,841)
December 31, 2011		**5,000,000**	**1,077,010**	**4,000**	**(808)**	**(59,443)**	**(303,670)**	**2,005,378**	**7,722,467**	**1,348,350**	**9,070,817**

The notes on pages 89 to 127 form an integral part of these consolidated financial statements.

1- General Information

Savola Group Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The objectives of the Company along with its subsidiaries includes the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, packing materials, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

The Company is a Saudi Joint Stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No, 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979), The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978). The registered address of the Company is Saudi Business Centre, Madinah Road, Jeddah, Kingdom of Saudi Arabia, Kingdom of Saudi Arabia.

At December 31, the Group has investments in the following subsidiaries (collectively referred to as "the Group"):

a) Direct Subsidiaries of The Company

(i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2012	2011
Savola Foods Company ("SFC")	Saudi Arabia	Foods	90	90
Al-Azizia Panda United Company ("APU")	Saudi Arabia	Retail	74,4	74,4
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	Manufacturing of Plastic packaging products	100	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	80	80
United Sugar Company, Egypt ("USCE")	Egypt	Manufacturing of Sugar	19,1	19,1
Giant Stores Trading Company ("Giant")	Saudi Arabia	Retail	8	8
United Company for Central Markets ("UCCM")	Lebanon	Retail	8	8

(ii) Dormant and Holding subsidiaries

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2012	2011
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding Company	80	80
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding Company	60	60
Aalinah Al Kawniah Limited	Saudi Arabia	Holding Company	100	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding Company	80	80
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	Holding Company	80	80
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	Holding Company	4.5	4.5
Utur Packaging Materials Company Limited ("Utur")	Saudi Arabia	Holding Company	100	100
Al Mojammat Al Mowahadah Real Estate Company ("Mojammat")	Saudi Arabia	Holding Company	100	100
Marasina International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	100
Asda'a International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	100
Masa'ay International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	100
Saraya International Real Estate Investment Ltd.	Saudi Arabia	Holding Company	100	100
Savola Trading International Limited	Saudi Arabia	Dormant Company	100	100
United Properties Development Company ("UPDC")	Saudi Arabia	Dormant Company	100	100
Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	Dormant Company	100	100
Arabian Sadouk for telecommunications Co.("Sadouk")	Saudi Arabia	Dormant Company	100	100
Al Maoun International Holding Company	Saudi Arabia	Dormant Company	100	100
Afia Foods Arabia	Saudi Arabia	Dormant Company	100	100
Al Gharra International for Real Estate Development Company	Saudi Arabia	Holding Company	100	-

b) Subsidiaries Controlled Through SFC

Subsidiary name	Country of incorporation	Principal business Activity	Ownership interest (%) at December 31	
			2012	2011
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of Edible oil	95.19	95.19
SIIC	Saudi Arabia	Holding Company	95	95
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	Holding Company	95.4	95.4
Savola Foods for Sugar Company ("SFSC")	Cayman Islands	Holding Company	95	95
El Maleka for Food Industries Company ("El Maleka")	Egypt	Manufacturing of Pasta	100	100
El Farasha for Food Industries Company ("El Farasha")	Egypt	Manufacturing of Pasta	100	100
Savola Foods Company International ("SFCI") Limited	UAE	Holding Company	100	-
International Foods Industries Company Limited ("IFI")	Saudi Arabia	Manufacturing of Specialty fats	60	-
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of Sugar	19	19
SIIC				
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of Sugar	74.48	74.48
USC				
USCE	Egypt	Manufacturing of Sugar	56.75	56.75
ASCE	Egypt	Manufacturing of Sugar	62	62
Beet Sugar Industries	Cayman Islands	Dormant Company	100	100
USCE				
ASCE	Egypt	Manufacturing of Sugar	19	19
SFEM				
Savola Morocco Company	Morocco	Manufacturing of Edible oils	100	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible oils	100	100
AFIA International Company – Algeria	Algeria	Manufacturing of Edible oils	100	100

c) Subsidiaries Controlled Through AIC

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2012	2011
Savola Behshahr Company (SBeC)	Iran	Holding Company	80	80
Malintra Holdings	Luxembourg	Holding Company	100	100
Savola Foods Limited ("SFL")	British Virgin Islands	Holding Company	100	100
Afia International Company - Jordan	Jordan	Manufacturing of Edible oils	97.4	97.4
Inveskz Inc.	British Virgin islands	Holding Company	90	90
Afia Trading International	British Virgin islands	Trading Company	100	100
Savola Foods International	British Virgin Islands	Dormant Company	100	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding Company	100	100
SBeC				
Behshahr Industrial Company	Iran	Manufacturing of Edible oils	79.9	79.9
Margarine Manufacturing Company	Iran	Manufacturing of Edible oils	79.9	79.9
Tolue Pakshe Aftab ("TPA") Company	Iran	Trading and Distribution	100	-
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of Edible oils	99.92	99.92
Latimar International Limited	British Virgin islands	Dormant Company	100	100
Elington International Limited	British Virgin islands	Dormant Company	100	100
Inveskz Inc.				
Savola Foods CIS	Kazakhstan	Manufacturing of Edible oils	100	100
KUGU				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oils	100	100

d) Subsidiaries Controlled Through APU

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31	
			2012	2011
APU				
Giant	Saudi Arabia	Retail	90	90
UCCM	Lebanon	Retail	90	90
Giant				
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	Dormant Company	95	95

e) Subsidiaries Controlled Through SPS

SPS				
New Marina for Plastic Industries	Egypt	Manufacturing of plastic packaging products	100	100
Al Sharq Company for Plastic Industries. Ltd. ("Al-Sharq")	Saudi Arabia	Manufacturing of plastic packaging products	100	100

During 2012, as per the terms of the Master Joint Venture Agreement between the Group and Al Muhaidib Holding Company Limited ("Al Muhaidib") entered into during the year ended December 31, 2008 to acquire Giant and other operations and sell 20% of APU equity, the Group received a settlement of Saudi Riyals 61.4 million from Al Muhaidib relating to non-completion of transfer of ownership of the Al Muhaidib's Qatar operations to Savola Group due to certain local regulations. Such settlement was recorded within equity as part of "Effect of transactions with non-controlling interest without change in control" since it is treated as additional consideration on disposal of 20% APU equity.

Effective September 16, 2009, the Group's subsidiary, APU acquired the operations of Saudi Geant Company Limited ("Geant") for a total consideration of Saudi Riyals 469.3 million, including cash consideration of Saudi Riyals 232 million and a deferred equity consideration of Saudi Riyals 237.3 million. The Company had paid the cash consideration on October 12, 2009 whereas the deferred equity component was settled during 2010, through issuance of 45.7 million new shares of APU at a price of Saudi Riyals 51.92 per share. Also as per the agreement, Geant is entitled to acquire 1% share of APU each year at the fair value for a period of up to 3 years.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 13, 2013.

2- Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis Of Preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments and derivative financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.2 Critical Accounting Estimates And Judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.3. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Impairment of available for sale investments

The Group exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is ‘significant’ and ‘prolonged’ requires judgment. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Provision for doubtful debts

A provision for impairment of account receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering the past recovery rates.

(d) Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any. The subsidiaries over which Group control is temporary are not consolidated and are accounted for as an associates.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in a group's ownership interest in a subsidiary after acquiring control, is accounted as equity transactions and the carrying amounts of the minority interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of acquisition transactions with non-controlling interest without change in control".

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

The Group's share of its associates' post-acquisition income or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associate companies equals or exceeds its interest in the associate and jointly-controlled company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

(c) Investment in available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

(i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and

(ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or are based on the expected discounted cash flows.

Cumulative adjustments arising from revaluation of these investments are reported as a separate component of equity, as other reserves until the investment is disposed.

2.4 Segment Reporting

(a) Business segment

A business segment is group of assets, operations or entities:

(i) Engaged in revenue producing activities;

(ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and

(iii) Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.5 Foreign Currency Translations

(a) Reporting currency

These consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of foreign subsidiaries and associates having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates; and

(iii) Components of the equity accounts are translated at the exchange rates in effect at the dates that the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of equity.

Any goodwill arising on acquisition of foreign subsidiaries and any subsequent fair value adjustments to the carrying values of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate and recognized in the equity.

Dividends received from associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the income statement.

When investments in foreign subsidiaries and associates are partially disposed off or sold, currency translation differences that were recorded in equity are recognized in income as part of gain or loss on disposal or sale.

2.6 Cash And Cash Equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.7 Accounts Receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under “General and administrative expenses”. When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against “General and administrative expenses” in the income statement.

2.8 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads. Inventories in transit are valued at cost. Stores and spares are valued at cost, less any provision for slow moving items.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Property, Plant And Equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction in progress which is carried at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Years
Buildings	12.5 - 33
Leasehold improvements	3 - 33
Plant and equipment	3 - 30
Furniture and office equipment	3 - 16
Vehicles	4 - 10

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.10 Investment Property

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Group is classified as investment property and is reported under “Other investments”. Investment property comprises land, buildings and lease hold improvements. Investment property is recorded at historical cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Land is not depreciated.

2.11 Deferred Charges

Costs that are not of benefit beyond the current period are charged to the income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the accompanying balance sheet, include certain indirect construction costs incurred by the Group in relation to setting up its retail outlets. Such costs are amortized over periods which do not exceed five years.

2.12 Impairment of Non-Current Assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment losses recognized on intangible assets are not reversible.

2.13 Assets And Liabilities Classified As Held For Sale

Assets held for sale comprise of assets and liabilities or a disposal group that are expected to be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale, all assets in a disposal group are measured at the lower of their carrying amount and fair value less costs to sell. Subsequent to initial recognition, any impairment loss on a disposal group is first allocated to goodwill, (if there is any) and then to the remaining assets and liabilities on pro rata basis. However, no loss is allocated to financial assets, which continue to be measured in accordance with their initial accounting policies. Gains or losses on disposal of such assets or disposal group are currently recognized in the consolidated income statement.

2.14 Borrowings

Borrowings are recognized as the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.15 Accounts Payable And Accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.16 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.17 Zakat And Taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Foreign shareholders in consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the minority interest in the accompanying consolidated financial statements. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to consolidated income statement.

Deferred income tax assets are recognized on carry-forward tax losses and on all major temporary differences between financial income and taxable income to the extent that it is probable that future taxable profit will be available against which such carry-forward tax losses and the temporary differences can be utilized. Deferred income tax liabilities are recognized on significant temporary differences expected to result in an income tax liability in future periods. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2.18 Employee Termination Benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

Foreign subsidiaries currently provide for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries.

2.19 Revenues

Revenues are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Revenues are shown net of discounts and transportation expenses, and after eliminating sales within the Group.

Rental income from operating leases is recognized in the income statement on a straight-line basis over the lease term. Promotional and display income is comprised of income earned from promotion and display of various products by vendors within the Group's retail stores, and is recognized in the period in which the product is listed.

Dividend income is recognized when the right to receive payment is established.

2.20 Selling, Marketing And General And Administrative Expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.21 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Group.

2.22 Derivative Financial Instruments

The Group uses derivative financial instruments (commodity future contracts) to hedge its price risk of raw material in the Sugar business. Derivatives are measured at fair value, and changes in the fair value of a derivative hedging instrument are recognized in the income statement under cost of sales as an adjustment to the carrying amount of the hedged item, inventory.

2.23 Operating Leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

3- Financial Instruments And Risk Management

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, investments, long term receivables, short-term and long-term borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

3.1 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, and Turkish Lira.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals against Turkish Lira, Egyptian Pounds and Iranian Riyals. Such exposures are recorded as a separate component of shareholders' equity in the accompanying financial statements. The Group's management monitors such exposures and considers the use of forward exchange contracts and borrowings denominated in the relevant foreign currency to hedge the foreign currency exposures.

3.2 Fair Value And Cash Flow Interest Rate Risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from its short-term deposits and bank borrowings, which are at floating rates of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

3.3 Price Risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because the Group holds investments in certain listed equities which are classified on the balance sheet as available-for-sale investments. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities.

3.4 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash and cash equivalents are placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

As at December 31, 2012, the Group has unused bank financing facilities amounting to Saudi Riyals 3.2 billion (2011: Saudi Riyals 3.4 billion)

3.6 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, except for available-for-sale investments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4. Segment Information

The Group operates principally in the following major business segments:

- Foods - includes manufacturing and sale of Edible oils, Sugar and Pasta products.
- Retail - includes Group's hyper and super markets operations.
- Plastic - includes manufacturing and sale of Plastic products for industrial and commercial use.

Investment and other activities segment - includes Group subsidiaries which are engaged in real estate activities, investments in associates, available-for-sale investments and other investments.

(a) Selected financial information as of December 31, 2012 and 2011, and for the years ended on those dates, summarized by segment, is as follows:

2012	Food	Retail	Plastic	Investments and other activities	Eliminations	Total
Property, plant and equipment	2,907,906	1,719,790	500,999	651,256	-	5,779,951
Other non-current assets	873,057	318,576	139,112	7,685,947	-	9,016,692
Revenues - net	16,388,682	10,156,521	1,053,183	138,536	(345,429)	27,391,493
Net income	626,275	311,462	100,193	515,603	(151,324)	1,402,209

2011	Food	Retail	Plastic	Investments and other activities	Eliminations	Total
Property, plant and equipment-net	2,786,530	1,570,876	419,329	607,695	-	5,384,430
Other non-current assets	851,007	322,406	137,493	5,632,227	-	6,943,133
Revenues - net	15,223,918	9,181,551	1,001,533	122,815	(334,115)	25,195,702
Net income	489,075	200,151	91,242	515,708	(93,800)	1,202,376

(b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of December 31, 2012 and 2011 and for the years then ended summarized by geographic area, was as follows:

2012	Saudi Arabia	Egypt	Iran	Other countries	Total
Property, plant and equipment	3,464,689	1,553,250	531,693	230,319	5,779,951
Other non-current assets – net	8,336,354	525,738	118,360	36,240	9,016,692
Revenues – net	16,436,689	3,294,778	4,404,415	3,255,611	27,391,493
Net income	1,114,083	12,919	207,133	68,074	1,402,209

2011	Saudi Arabia	Egypt	Iran	Other countries	Total
Property, plant and equipment	3,234,928	1,409,785	510,637	229,080	5,384,430
Other non-current assets	5,906,006	449,477	116,121	471,529	6,943,133
Revenues - net	15,837,058	3,011,444	3,361,119	2,986,081	25,195,702
Net income	1,009,872	62,266	98,967	31,271	1,202,376

5- Cash And Cash Equivalents

	2012	2011
Cash in hand	27,424	21,622
Cash at bank	783,491	881,508
Short term bank deposits	132,344	310,954
	943,259	1,214,084

Short term deposits are held by commercial banks and yield financial income at prevailing market rates.

6- Accounts Receivable

	2012	2011
Trade	1,541,489	1,687,955
Less: provision for doubtful debts	(199,808)	(74,513)
	1,341,681	1,613,442
Related parties	106,279	202,198
	1,447,960	1,815,640

7- Inventories

	2012	2011
Finished products	1,981,367	1,516,400
Raw and packing materials	1,454,606	1,214,047
Work in process	180,431	120,980
Spare parts and supplies, not held for sale	210,098	213,054
Goods in transit	243,229	175,532
	4,069,731	3,240,013
Less: provision for inventory obsolescence / slow moving	(96,309)	(87,564)
	3,973,422	3,152,449

Certain inventories at December 31, 2012 and 2011 are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated subsidiaries.

8- Prepayments And Others

	Note	2012	2011
Advances to vendors and others		735,007	224,029
Investment properties classified as held for sale	8.2, 10.3	467,359	467,359
Prepaid rent and expenses		231,589	207,741
Receivable from government authorities	8.1	198,113	137,056
Current portion of long term receivables	10.3	163,687	132,550
Employee receivables		64,614	68,339
Balance relating to commodity future contracts		44,865	34,435
Unclaimed dividends		12,044	29,031
Restricted deposits		24,499	32,978
Other receivables		52,121	90,724
		1,993,898	1,424,242

8.1 Receivable from government authorities

Receivable from government authorities represent claims of certain foreign consolidated subsidiaries from respective local governments on account of value added tax, custom duties, subsidies and advance taxes.

8.2 Investment properties classified as held for sale

Investment properties classified as held for sale at December 31, 2012 and 2011 represents land parcels owned by the Company held for sale. Also see note 10.3.

9- Assets And Liabilities Classified As Held For Sale

During the fourth quarter of 2010, as an outcome of the review of its foods business pruning strategy, the Group has decided to entrench its position in core markets and assess exiting from certain overseas operations. Accordingly, some of the overseas operations within the edible oils segment are presented as disposal group 'held for sale'. Efforts to sell the disposal group have commenced. During the current year, Group management has entered into agreement with a third party to sell one part of such business. The net loss relating to these business disposal groups amounted to Saudi Riyals 2.1 million during 2012 (2011: net loss of Saudi Riyals 5.1 million). At December 31, 2012, the disposal group comprised assets of Saudi Riyals 186.3 million (2011: Saudi Riyals 167.4 million) and liabilities of Saudi Riyals 159.2 million (2011: Saudi Riyals 181.3 million) after recognition of impairment loss of Saudi Riyals 115 million during fourth quarter of 2010 held as follows:

Assets classified as held for sale at their recoverable amount		
	2012	2011
Property, plant and equipment	16,976	32,225
Inventories	82,820	61,250
Trade receivables and other receivables	86,557	73,923
	186,353	167,398

Liabilities classified as held for sale		
	2012	2011
Borrowings	(133,971)	(113,854)
Trade and other payables	(25,268)	(67,445)
	(159,239)	(181,299)

10- Investments

	Note	2012	2011
Investment in associates	10.1	6,806,659	4,528,075
Available for sale investments	10.2	694,234	795,472
Other investments	10.3	25,767	8,614
		7,526,660	5,332,161

10.1 Investment In Associates

	2012	2011
January 1	4,528,075	4,567,301
Additions	1,980,679	219,892
Share in net income	568,793	436,863
Other reserves adjustment	(41,205)	17,894
Disposal	(1,748)	-
Dividends	(228,098)	(222,303)
Effect of consolidation of ASCE	-	(436,358)
Other adjustments	163	(55,214)
December 31	6,806,659	4,528,075

	Effective ownership interest (%)			
	2012	2011	2012	2011
Almarai Company Ltd ("Almarai") (see below)	36.52	29.95	5,200,273	2,961,937
Kinan International for Real Estate Development Company ("Kinan International")	29.9	30	511,857	507,160
Intaj Capital Limited ("Intaj")	49	49	365,044	374,324
Diyar Al Mashreq ("Diyar")	30	30	263,230	259,353
Al-Seera City Company for Real Estate Development	40	40	164,578	164,578
Herfy Foods Services Company ("Herfy")	49	49	282,477	241,166
Knowledge Economic City Development Company	17	17	17,200	17,200
Other	Various	Various	2,000	2,357
			6,806,659	4,528,075

During October, 2012, the Company acquired 6.57% additional equity in Almarai amounting to Saudi Riyals 1.98 billion. The acquisition resulted in on the increase in the Company's ownership interest in Almarai to 36.52% at December 31, 2012.

10.2 Available-For-Sale Investments

AFS investments at December 31, principally comprise the following:

	2012	2011
Quoted investments		
Emaar the Economic City ("Emaar")	61,782	183,751
Knowledge Economic City	273,672	238,920
Taameer Jordan Holding Company	9,534	23,555
Unquoted investments		
Swicorp Joussour Company	208,819	208,819
Swicorp, Saudi Arabia	115,674	115,674
Others	24,753	24,753
	694,234	795,472

Movement in the available-for-sale investments was as follows:

	2012	2011
January 1	795,472	725,572
Disposals	(124,650)	(1,510)
Other reserves adjustments	36,312	71,410
Other Adjustment	(12,900)	-
December 31	694,234	795,472

During 2012, the Group partially disposed its investment in Emaar at a capital gain of Saudi Riyals 46.7 million.

Available-for-sale investments are denominated in the following currencies:

	2012	2011
Saudi Riyals	684,700	771,916
Jordanian Dinar	9,534	23,556
	694,234	795,472

10.3 Other Investments

	2012	2011
Long term bank deposits of SBeC	25,767	8,614
Investment properties	-	-
	25,767	8,614

Movement in investment properties is as follows:

	Note	2012	2011
January 1		-	803,998
Additions		-	3,239
Assets held for sale	8	-	(467,359)
Disposals		-	(339,878)
December 31		-	-

Investment properties represent land parcels owned by the Company in Saudi Arabia. During 2011, the Company's land parcels located in Riyadh having a carrying value of Saudi Riyals 340 million were sold to Kinan International (an Associate company) at a total price of Saudi Riyals 608 million. The Company made a gain of Saudi Riyals 152.8 million on these sales. As per the terms of the agreement, Kinan International will pay the price in installments ranging up to the year 2014. Total payments of Saudi Riyals 261.9 million have been received by the Company as at December 31, 2012.

The above mentioned receivable amounts from Kinan International are discounted at their respective present values and are disclosed as Long term receivables on the balance sheet. The schedules for the receipt of remaining installments for the above transactions are due as follows:

	2012
2013 (Included in prepayments and other receivables)	163,687
2014 (Disclosed as long term receivables)	167,899
	331,586

The installments due in 2014 amounting to Saudi Riyals 167.97 million are classified as long term receivables in the accompanying consolidated financial statements.

Also, during 2011 the Company entered into an agreement to sell the remaining land parcels amounting to Saudi Riyals 467 million to KEC and accordingly these have been classified as held for sale (Note 8) in the accompanying consolidated financial statements. Under the agreement, the Company will transfer its ownership in two land parcels located in the Madina Al Munawarah to Mojammat at a sale value of Saudi Riyals 631.3 million and subsequently sell its 80% equity ownership in Mojammat to KEC. Pursuant to the agreement, KEC paid an advance amount of Saudi Riyals 16.3 million to the Company upon signing of the agreement and remaining amount will be paid upon completion of transferring of land ownership deeds to Mojammat and the completion of formalities for transfer of 80% equity ownership of Mojammat to KEC. Accordingly, Mojammat was not consolidated in the accompanying consolidated financial statements as at December 31, 2012.

11- Property, Plant And Equipment

	Land	Buildings	Leasehold	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress	Total
Cost								
January 1, 2012	662,288	1,751,401	542,294	3,651,355	1,230,677	281,993	899,616	9,019,624
Additions	50,166	32,953	16,155	75,130	67,543	36,012	792,224	1,070,183
Disposals	(30,731)	(15,802)	(1,061)	(32,982)	(19,375)	(9,819)	(2,664)	(112,434)
Transfer from / (to) CWIP	-	8,748	122,605	41,277	92,286	170	(265,086)	-
Currency translation adjustment	(2,224)	(34,119)	(1,680)	(85,561)	(5,018)	(3,957)	(30,349)	(162,908)
December 31, 2012	679,499	1,743,181	678,313	3,649,219	1,366,113	304,399	1,393,741	9,814,465
Accumulated depreciation								
January 1, 2012	(397)	(603,747)	(161,437)	(1,970,637)	(720,989)	(162,492)	-	(3,619,699)
Additions	-	(51,764)	(63,428)	(210,794)	(153,174)	(54,579)	-	(533,739)
Disposals	-	8,918	295	25,373	16,973	8,564	-	60,123
Currency translation adjustment	-	9,368	(470)	45,443	7,821	13,615	-	75,777
December 31, 2012	(397)	(637,225)	(225,040)	(2,110,615)	(849,369)	(194,892)	-	(4,017,538)
NBV of assets held for sale	(3,573)	(13,104)	-	-	-	-	(299)	(16,976)
December 31, 2012	675,529	1,092,852	453,273	1,538,604	516,744	109,507	1,393,442	5,779,951
December 31, 2011	658,313	1,145,710	380,955	1,668,826	510,932	120,078	899,616	5,384,430

(i) Additions include Saudi Riyals 31 million in respect of finance costs capitalized during 2012 (2011: Saudi Riyals 0.4 million). The average rate used to determine the amount of finance costs capitalized during 2012 was 9.0% (2011: 2.4%).

(ii) Construction work in progress relates to the construction of supermarkets and hypermarkets for APU and upgrading and enhancing the production facilities of SFC, SPS and some of their subsidiaries.

(iii) Under the terms of land lease agreements with Jeddah Industrial City, Jeddah Islamic Port, Riyadh Industrial City, and Industrial zone, Sokhna port, Egypt, certain subsidiaries have renewable operating leases for lands on which their production facilities are located. Annual lease and service charge payments to the lessor are nominal.

(iv) Certain property, plant and equipment of the Group are pledged as collateral with Saudi Industrial Development Fund and commercial banks. Also see Note 14.

12- Intangible Assets

	Goodwill	Deferred charges	Other intangible assets (Note 12.1)	**Total**
Cost				
January 1, 2012	1,153,250	603,674	-	1,756,924
Additions	-	51,309	-	51,309
Adjustments	(181,177)	-	181,177	-
Write-off	-	(4,683)	-	(4,683)
Currency translation adjustment	(1,190)	-	-	(1,190)
December 31, 2012	970,883	650,300	181,177	1,802,360
Amortization				
January 1, 2012	-	(454,630)	-	(454,630)
Additions	-	(25,597)	-	(25,597)
December 31, 2012	-	(480,227)	-	(480,227)
Net balance	970,883	170,073	181,177	1,322,133

	Goodwill	Deferred charges	**Total**
Cost			
January 1, 2011	836,516	601,986	1,438,502
Additions	338,949	37,054	376,003
Currency translation adjustment	(22,215)	-	(22,215)
Write-offs	-	(35,366)	(35,366)
December 31, 2011	1,153,250	603,674	1,756,924
Amortization			
January 1, 2011	-	(413,681)	(413,681)
Additions	-	(40,949)	(40,949)
December 31, 2011	-	(454,630)	(454,630)
Net balance as at December 31, 2011	1,153,250	149,044	1,302,294

12.1 Other Intangible Assets

As disclosed in Note 1 of the accompanying consolidated financial statements, during 2011, the Group acquired 100% ownership interest in El Maleka and El Farasha. The details are as follows:

Purchase Consideration paid	453,434
Net assets acquired	(66,599)
Fair value adjustment	(65,794)
Total net assets acquired	(132,393)
Excess of purchase consideration paid over net assets acquired	321,041
Less: allocated to other intangible assets	(181,177)
Goodwill	139,864

Subsequent to Group's acquisition in 2011 of 100% ownership interest El Maleka and El Farasha in Egypt, for a total consideration of Saudi Riyals 453 million, and payment of total amount of excess of purchase consideration paid over net assets acquired of Saudi Riyals 321 million; the Group has carried out an initial fair valuation of assets acquired on the basis of which an amount of Saudi Riyals 65.8 million has already been allocated to property, plant and equipment. However, a formal study of Purchase Price Allocation was completed during 2012 and upon its finalization an amount of Saudi Riyals 181.1 million was allocated to 'Other Intangible Assets' mainly representing the value of brands acquired.

12.2 Goodwill

Impairment tests for goodwill

The recoverable amount of goodwill is determined based on fair value calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The key assumptions used for fair value calculations are as follows:

(i) Budgeted gross margin.

(ii) Weighted average growth rate

(ii) Discount rate applied to the cash flow projections.

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of market development. The discount rates used are pre-zakat and pre-income tax reflect specific risks relating to the industry. The results of impairment test at December 31, 2012 indicated no impairment charge.

13- Short-Term Borrowings

These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offer rates. Certain short-term bank loans at December 31, 2012 were guaranteed by corporate guarantees of the Company.

14- Long-Term Borrowings

	Note	2012	2011
Commercial bank loans	14.1	4,503,509	3,453,768
SIDF loans	14.2	19,689	23,829
		4,523,198	3,477,597
Current maturity shown under current liabilities		(910,952)	(656,103)
		3,612,246	2,821,494

14.1 Commercial Bank Loans

The Group has obtained loans and Murabaha financing from various commercial banks and financial institutions in order to finance capital projects, investments and for working capital requirements. Finance charges on these debts are based on prevailing market rates.

Property, plant and equipment at December 31, 2012 includes assets of certain consolidated subsidiaries having net book value of approximately Saudi Riyals 1,235 million (2011: Saudi Riyals 957 million) which are pledged with foreign banks as collateral against bank borrowing facilities. The financing agreements include certain covenants, which, among other things, require certain financial ratios to be maintained.

14.2 SIDF loans

SIDF has provided loans to SPS to finance the manufacturing facilities and expansion projects. The loans are secured by a charge on property, plant and equipment of SPS and corporate guarantees of the shareholders. At December 31, 2012, property, plant and equipment having a net book value of Saudi Riyals 292 million (2011: Saudi Riyals 233 million) were collateralized as security against SIDF loans. The SIDF loan agreements include certain covenants, which among other things require that certain financial ratios be maintained.

14.3 Maturity Profile of Long-Term Borrowings

Years ending December 31	
2013	910,952
2014	2,628,694
2015	560,644
2016	185,897
2017 and thereafter	237,011
	4,523,198

In an extraordinary general meeting held on December 15, 2012, the Company's shareholders approved the establishment of Sukuk program pursuant to which the Company can issue Sukuk through one or more tranches for an amount that will not exceed the Company's paid-up capital amounting to Saudi Riyals 5 billion. The Company had not issued any Sukuk as at December 31, 2012.

As of January 22, 2013, the Group has completed the offering and issuance of the first tranche of the Sukuk with a total value of SR 1.5 billion. The Sukuk issued have a tenor of 7 years, and have been offered at nominal value with an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.10%.

15- Accounts Payable

	Note	2012	2011
Trade		2,658,452	2,620,594
Related parties	20.2	85,752	98,333
		2,744,204	2,718,927

16- Accrued And Other Liabilities

	Note	2012	2011
Accrued expenses		390,075	360,906
Accrued zakat and tax	16.1	342,337	214,218
Accrued interest		214,113	16,114
Employee related accrual		174,718	146,018
Marketing related accruals		170,730	131,782
Unclaimed dividend		165,054	177,864
Advance against sale of land		119,378	119,378
Payable to contractors		90,932	33,435
Advances from customers		56,971	11,774
Payable to government authorities		53,276	12,476
Accrued utilities		43,415	31,651
Provision for dividend (BID)		31,370	23,196
Accruals for un-invoiced purchases		23,609	17,163
Other liabilities		85,281	132,546
		1,961,259	1,428,521

16.1 Zakat And Tax Matters

Zakat and taxes included in the consolidated income statement are comprised of the following:

	2012	2011
Income tax	202,963	88,948
Zakat	42,193	43,076
Deferred tax	22,992	-
	268,148	132,024

The movement in the accrual for zakat and taxes are as follows:

	2012	2011
January 1	214,218	166,634
Charge	245,156	132,024
Payments	(117,037)	(84,440)
December 31	342,337	214,218

16.1.1 Components of zakat base

The Group's Saudi Arabia subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

16.1.2 Status of Final Assessments

(a) Zakat status

The Company has finalized its zakat status up to the year 2004. The Company has filed the Zakat returns for the years 2005 to 2011.

The DZIT issued the assessment for the year 2009 and claimed zakat differences of Saudi Riyals 1.3 million. The Company has paid for such zakat differences and is also appealing such differences with the DZIT.

The Company's Saudi subsidiaries received final zakat certificates for certain years and provisional zakat certificates for other years. They have also received queries from the DZIT for the open years, for which replies have been / will be filed by the respective companies.

Some Saudi consolidated subsidiaries received assessments from the DZIT concerning their zakat declarations for the open years, in which the DZIT assessed additional zakat liabilities of approximately Saudi Riyals 20.1 million (2011: Saudi Riyals 62.3 million).

The subsidiaries have objected to such assessments and the matter is pending with the DZIT and Appeal Committees. Management of the Company and the subsidiaries believe that such additional assessments will not result in the additional liability and no provisions have been made for such assessments.

(b) Income tax status

The Group's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Some of the subsidiaries are currently tax exempt. Tax paying subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. Certain foreign subsidiaries are also obliged to pay quarterly advanced tax determined on prior year tax liability bases.

Certain subsidiaries have received final tax assessments for certain years and provisional tax assessments for other years. They have also received queries from departments of income tax after their assessment or inspections for open years, for which replies have been filed.

The Group management believes that there are no significant amounts under protest with departments of income tax in any foreign operation.

16.2 Deferred Tax Liability

Deferred tax liability is calculated on temporary difference on end of service provision, deferred rent payable and property, plant and equipment under the liability method using effective tax rate.

17- Deferred Gain

	2012	2011
January 1	103,181	111,630
Addition	9,120	-
Amortization	(9,108)	(8,449)
December 31	103,193	103,181

Deferred gain principally relates to deferral of capital gain on land and building sale and operating leaseback transaction by the Group. Such gains are deferred over the lease period.

18- Long-term payables

Long-term payables represent dividends declared in prior years and share fractions, which resulted from the split of shares in prior years. Such amounts have not yet been claimed by the respective shareholders for several years. In the opinion of management, such amounts are unlikely to be paid during 2012 and, accordingly, they have been classified under non-current liabilities.

19- Employee termination benefits

	2012	2011
January 1	307,263	276,106
Provisions	84,082	68,767
Payments	(37,594)	(37,610)
December 31	353,751	307,263

20- Related Party Matters

Related party transactions mainly represents the sale of products in the ordinary course of business to entities related to certain consolidated subsidiaries. The terms of such transactions are mutually agreed between the parties. The Company has a group treasury function and arranges for credit facilities to its affiliated entities through local commercial banks. All related party transactions are approved by the management.

20.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	2012	2011
Sales	638,618	788,125
Purchases	508,822	477,600
Rent expense charged by related parties	88,339	88,470
Key management personnel remuneration	31,282	27,244
Investment property sold to a related party	-	336,567

20.2 Related Party Balances

Significant year end balances arising from transactions with related parties are as follows:

(i) Receivable from related parties

Company Name	Relationship	2012	2011
Intaj	Associate	51,806	70,560
Certain shareholders of USC	Shareholders of a subsidiary	45,151	47,933
Kinan International	Associate	3,351	-
Afia Wings International Company	Associate	2,757	2,757
Al Muhaidib Holding Company	Shareholder of the subsidiary	-	63,234
Other		3,214	17,714
		106,279	202,198

(ii) Payable to related parties

Company name	Relationship	2012	2011
Abdul Kadir Al Muhaidib Company	Shareholder of the Company	33,433	41,597
Almarai Company	Associate	27,871	24,229
Herfy	Associate	7,375	9,498
Hail Agricultural Development Company	Associate	4,329	4,533
Diyar	Associate	-	13,699
Other		12,744	4,777
		85,752	98,333

20.3 Board of Directors Remuneration

Board of Directors' remuneration for the year ended December 31, 2012 amounting to Saudi Riyals 2.2 million (2011: Saudi Riyals 2.2 million) has been calculated in accordance with the Company's By laws and is considered as appropriation shown in the statement of changes in shareholders' equity. Attendance allowances and other expenses to the directors and members of various board committees for the year ended December 31, 2012 amounting to Saudi Riyals 636 thousand (2011: Saudi Riyals 634 thousand) are charged to expenses and included under general and administrative expenses.

21- Share Capital

The share capital of the Company as of December 31, 2012 and 2011 comprised of 500 million shares stated at Saudi Riyals 10 per share.

22- Statutory Reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

23- Selling And Marketing Expenses

	2012	2011
Salaries, wages and benefits	817,932	713,265
Advertisement	410,483	387,252
Rent	380,639	339,086
Depreciation and amortization	276,024	272,085
Utilities	154,504	151,108
Commission	116,093	79,329
Maintenance	109,014	91,735
Transportation	10,552	6,890
Provision for doubtful debts	2,603	3,150
Other	89,448	100,913
	2,367,292	2,144,813

24- General And Administrative Expenses

	2012	2011
Salaries, wages and benefits	394,657	351,066
Professional fees	28,048	25,996
Depreciation	24,226	32,875
Traveling	12,750	10,632
Rent	12,225	11,292
Utilities, telephone and communication cost	10,967	10,511
Insurance	10,704	14,207
Training	10,327	9,350
Repairs and maintenance	9,165	7,968
Transportation	8,634	5,116
Supplies and packaging	4,480	4,150
Information technology	4,205	6,201
Inter-Company write-offs	-	9,266
Other	59,929	63,842
	590,317	562,472

25- Other Income (expenses)

	2012	2011
Scrap sales	30,381	26,751
Product listing and opening fees	30,144	29,344
Amortization of deferred gain	9,108	8,449
Gains on disposal of property and equipment	3,542	10,087
Insurance recoveries	-	3,824
Rental income	-	1,401
Other	546	16,911
	73,721	96,767

Product listing fees represents the fee received from suppliers to list their products in new retail store openings and are recognized in the period they are earned.

26- Financial Charges

	Note	2012	2011
Bank commission on loans and other borrowings	13,14,20	456,174	328,244
Income earned on short-term bank deposits	5	(28,793)	(10,772)
		427,381	317,472

27- Operating Leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2012 amounted to Saudi Riyals 393 million (2011: Saudi Riyals 371 million). Future rental commitments at December 31, 2012 under these operating leases are as follows:

	2012	2011
Within one year	497,685	397,886
Between two and five years	2,611,474	1,673,237
More than five years	4,149,669	4,095,107
	7,258,828	6,166,230

28- Earnings Per Share

Earnings per share the years ended December 31, 2012 and 2011 has been computed by dividing the operating income and net income attributable to shareholders of the Company for each year by weighted average number of shares outstanding during such years.

29- Dividends

The Company's shareholders have approved and paid dividends amounting to Saudi Riyals 725 million in 2012. The details of interim dividends approved and final dividend proposed by the Board of Directors are as follows:

Date	Dividend rate	Interim / final	Amount
			SAR in millions
January 17, 2012	SAR 0.25 per share	Final 2011	275
April 17, 2012	SAR 0.30 per share	Interim	150
July 18, 2012	SAR 0.30 per share	Interim	150
October 16, 2012	SAR 0.30 per share	Interim	150
January 15, 2013	SAR 0.50 per share	Final 2012	250

30- Contingencies And Commitments

i) The Group has outstanding bank guarantees and letters of credit amounting to Saudi Riyals 227.4 million at December 31, 2012 (2011: Saudi Riyals 250.4 million), which were issued in the normal course of business;

ii) Also see Note 14 with respect to guarantees given for certain loans, Note 16 with respect to zakat contingencies and Note 27 with respect to leases;

iii) At December 31, 2012, one of the subsidiaries had commitments to sell in 2013 refined sugar of approximately 378,682 MT (2011: 737,003 MT to sell in 2012) at prices, which would approximate the prevailing market prices at the contract date. The raw sugar price of committed sale contracts is hedged through forward contracts;

iv) At December 31, 2012, the Group had outstanding commitments of Saudi Riyals 167.3 million (2011: Saudi Riyals 138 million) for investments; and

v) At December 31, 2012, the Group had outstanding capital commitments of Saudi Riyals 295.5 million (2011: Saudi Riyals 219.3 million).

Savola Group's operations are spread widely in a number of countries in the Middle East, North Africa and Central Asia

- Saudi Arabia
- Egypt
- Iran
- Turkey
- Sudan
- Algeria
- Kazakhistan
- Morocco
- Jordon
- UAE
- Lebanon

It also exports its high quality products of edible oils, margarine, sugar and plastic to more than 30 countries around the world.

THE SAVOLA GROUP AND SUBSIDIARIES CONTACTS AND ADDRESSES

The Savola Group welcomes your constructive comments and suggestions that might enhance the quality of services provided to our valued shareholders and customers. You may contact our toll free number 8002440204, visit our website: www.savola.com or write to the following addresses:

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