



**SAVOLA GROUP COMPANY**  
**(Saudi Joint Stock Company)**

**Unaudited Interim Condensed Consolidated  
Financial Statements for the Three and Nine-Month  
Periods Ended September 30, 2004 and 2003 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

October 16, 2004

To the Shareholders of Savola Group Company:

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (the "Company") and its subsidiaries as of September 30, 2004 and the related interim condensed consolidated statements of income and retained earnings for the three and nine-month periods then ended, and the interim condensed consolidated statement of cash flows for the nine-month period then ended, including the related notes. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards established by the Saudi Organization for Certified Public Accountants. A review of interim financial statements consists principally of applying analytic procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the interim condensed consolidated financial statements of the Company as of September 30, 2004, and for the three and nine-month periods then ended for them to be in conformity with accounting principles generally accepted in Saudi Arabia.

**For AL JURAID & COMPANY**

**For ABDUL MAJEED H. AJOOZAH**

By: \_\_\_\_\_  
Sami B. Al Sarraj  
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**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**SEPTEMBER 30, 2004 AND 2003**  
**(SR'000)**

|                                                    | <u>2004</u>                | <u>2003</u>                |
|----------------------------------------------------|----------------------------|----------------------------|
| <b><u>ASSETS</u></b>                               |                            |                            |
| CURRENT ASSETS:                                    |                            |                            |
| Cash and cash equivalents                          | SR 79,440                  | SR 172,271                 |
| Available-for-sale securities                      | 195,342                    | -                          |
| Accounts receivable - net                          | 327,575                    | 256,499                    |
| Inventories - net                                  | 654,085                    | 524,828                    |
| Prepayments and other assets                       | <u>220,394</u>             | <u>190,714</u>             |
| Total current assets                               | 1,476,836                  | 1,144,312                  |
| INVESTMENTS - Net                                  | 947,855                    | 623,991                    |
| GOODWILL - Net                                     | 105,660                    | 112,322                    |
| DEFERRED EXPENSES - Net                            | 63,322                     | 20,350                     |
| FIXED ASSETS - Net                                 | <u>2,542,745</u>           | <u>1,887,558</u>           |
| <b>TOTAL</b>                                       | <b><u>SR 5,136,418</u></b> | <b><u>SR 3,788,533</u></b> |
| <b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b> |                            |                            |
| CURRENT LIABILITIES:                               |                            |                            |
| Short-term borrowings (see Note 4)                 | SR 964,266                 | SR 579,434                 |
| Current portion of long term debt                  | 118,500                    | 68,916                     |
| Accounts payable                                   | 451,948                    | 300,605                    |
| Accrued expenses and other liabilities             | <u>360,724</u>             | <u>366,397</u>             |
| Total current liabilities                          | 1,895,438                  | 1,315,352                  |
| LONG-TERM PAYABLES                                 | 95,440                     | 84,850                     |
| LONG-TERM DEBT                                     | 751,740                    | 176,053                    |
| EMPLOYEES' TERMINATION BENEFITS                    | <u>80,709</u>              | <u>71,128</u>              |
| Total liabilities                                  | <u>2,823,327</u>           | <u>1,647,383</u>           |
| MINORITY INTERESTS                                 | <u>433,258</u>             | <u>395,178</u>             |
| SHAREHOLDERS' EQUITY:                              |                            |                            |
| Share capital (see Note 6)                         | 1,000,000                  | 800,000                    |
| Share premium reserve (see Note 6)                 | 9,000                      | 209,000                    |
| Statutory reserve                                  | 344,394                    | 314,286                    |
| General reserve                                    | 254,000                    | 254,000                    |
| Unrealized gain on investments                     | 13,613                     | -                          |
| Currency translation adjustment                    | (63,452)                   | (67,207)                   |
| Retained earnings                                  | <u>322,278</u>             | <u>235,893</u>             |
| Total shareholders' equity                         | <u>1,879,833</u>           | <u>1,745,972</u>           |
| <b>TOTAL</b>                                       | <b><u>SR 5,136,418</u></b> | <b><u>SR 3,788,533</u></b> |

The accompanying notes 1 to 10 form an integral part of these interim condensed consolidated financial statements.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND  
RETAINED EARNINGS (UNAUDITED)  
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004  
AND 2003  
(SR'000)**

|                                               | <u>Three months ended</u>           |                                     | <u>Nine months ended</u>            |                                     |
|-----------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                               | <u>September 30,</u><br><u>2004</u> | <u>September 30,</u><br><u>2003</u> | <u>September 30,</u><br><u>2004</u> | <u>September 30,</u><br><u>2003</u> |
| SALES - Net                                   | SR 1,234,730                        | SR 1,044,197                        | SR 3,590,581                        | SR 2,926,109                        |
| COST OF SALES                                 | <u>(1,021,901)</u>                  | <u>(832,852)</u>                    | <u>(2,953,903)</u>                  | <u>(2,386,868)</u>                  |
| GROSS PROFIT                                  | 212,829                             | 211,345                             | 636,678                             | 539,241                             |
| EXPENSES:                                     |                                     |                                     |                                     |                                     |
| Selling and marketing                         | (120,528)                           | (90,573)                            | (315,889)                           | (265,910)                           |
| General and administrative                    | <u>(50,878)</u>                     | <u>(52,550)</u>                     | <u>(159,287)</u>                    | <u>(154,276)</u>                    |
| INCOME FROM OPERATIONS                        | 41,423                              | 68,222                              | 161,502                             | 119,055                             |
| INVESTMENTS INCOME - Net                      | 45,640                              | 36,031                              | 106,309                             | 98,251                              |
| FINANCING INCOME AND<br>OTHER - Net           | <u>34,030</u>                       | <u>(2,229)</u>                      | <u>49,668</u>                       | <u>37,406</u>                       |
| INCOME BEFORE ZAKAT AND<br>MINORITY INTERESTS | 121,093                             | 102,024                             | 317,479                             | 254,712                             |
| ZAKAT                                         | <u>(1,100)</u>                      | <u>(2,669)</u>                      | <u>(5,123)</u>                      | <u>(4,851)</u>                      |
| INCOME BEFORE MINORITY<br>INTERESTS           | 119,993                             | 99,355                              | 312,356                             | 249,861                             |
| MINORITY INTERESTS                            | <u>(15,960)</u>                     | <u>(21,739)</u>                     | <u>(52,178)</u>                     | <u>(49,294)</u>                     |
| NET INCOME                                    | 104,033                             | 77,616                              | 260,178                             | 200,567                             |
| RETAINED EARNINGS AT<br>BEGINNING OF PERIOD   | 278,845                             | 312,020                             | 305,900                             | 190,269                             |
| DIVIDENDS (NOTE 5)                            | (60,000)                            | (153,143)                           | (242,000)                           | (153,143)                           |
| DIRECTORS' REMUNERATIONS                      | <u>(600)</u>                        | <u>(600)</u>                        | <u>(1,800)</u>                      | <u>(1,800)</u>                      |
| RETAINED EARNINGS AT END<br>OF PERIOD         | <u>SR 322,278</u>                   | <u>SR 235,893</u>                   | <u>SR 322,278</u>                   | <u>SR 235,893</u>                   |

The accompanying notes 1 to 10 form an integral part of these interim condensed consolidated financial statements.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003**  
**(SR'000)**

|                                                                                   | <u>2004</u>      | <u>2003</u>       |
|-----------------------------------------------------------------------------------|------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                  |                   |
| Net income                                                                        | SR 260,178       | SR 200,567        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |                   |
| Depreciation and amortization                                                     | 122,043          | 115,196           |
| Minority interests                                                                | 52,178           | 49,294            |
| Investments income - net                                                          | (106,309)        | (98,251)          |
| Gain on sale of investments                                                       | (39,230)         | (30,979)          |
| Net changes in operating assets and liabilities                                   | <u>(209,359)</u> | <u>(78,710)</u>   |
| Net cash provided by operating activities                                         | <u>79,501</u>    | <u>157,117</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                  |                   |
| Additions to investments - net                                                    | (193,718)        | 86,569            |
| Additions to goodwill - net                                                       | (3,650)          | 396               |
| Additions to deferred charges                                                     | (50,568)         | (12,845)          |
| Additions to fixed assets - net                                                   | <u>(621,484)</u> | <u>(127,628)</u>  |
| Net cash used by investing activities                                             | <u>(869,420)</u> | <u>(53,508)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                  |                   |
| Net changes in short-term borrowings                                              | 225,571          | 295,299           |
| Net changes in long-term borrowings                                               | 656,628          | (46,928)          |
| Net changes in minority interests and other                                       | 10,585           | (55,495)          |
| Dividends paid                                                                    | <u>(189,797)</u> | <u>(230,889)</u>  |
| Net cash provided (used) by financing activities                                  | <u>702,987</u>   | <u>(38,013)</u>   |
| NET CHANGE IN CASH AND CASH EQUIVALENTS                                           | (86,932)         | 65,596            |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD                                  | <u>166,372</u>   | <u>106,675</u>    |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD                                        | <u>SR 79,440</u> | <u>SR 172,271</u> |

The accompanying notes 1 to 10 form an integral part of these interim condensed consolidated financial statements.

**SAVOLA GROUP COMPANY**  
**(A Saudi Joint Stock Company)**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004**  
**AND 2003**

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**1. THE COMPANY AND NATURE OF BUSINESS**

Savola Group Company (the "Company"), a Saudi joint stock 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 Company's commercial registration number 4030019708 was issued in Jeddah on Rajab 21, 1399H (June 16, 1977). The purpose of the Company includes the manufacturing and marketing of vegetable oils and to set up related industries, retail outlets, dairy products, snack foods, packing materials, exports and imports, commercial contracting, trade agencies and development of agricultural products.

The Company has investments in the following consolidated subsidiaries (collectively the "Group"), which operate under separate commercial registrations and are principally engaged in the manufacturing and marketing of food products, retailing, packaging materials and fast food operations:

| <u>Name</u>                                                                    | <u>Country of incorporation</u> | <u>Effective ownership interest (%) at September 30,</u> |             |
|--------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------------|-------------|
|                                                                                |                                 | <u>2004</u>                                              | <u>2003</u> |
| Savola Packaging Systems Limited                                               | Saudi Arabia                    | 100                                                      | 100         |
| Utur Packaging Materials Company Limited                                       | Saudi Arabia                    | 100                                                      | 100         |
| Royah Company for the Development of Information Systems and Computer Services | Saudi Arabia                    | 100                                                      | 100         |
| Savola Snack Foods Company Ltd. ("SSFC")                                       | Saudi Arabia                    | 100                                                      | 100         |
| Savola Trading International Limited                                           | Virgin Islands                  | 100                                                      | 100         |
| Tayseer FZCO                                                                   | United Arab Emirates            | 100                                                      | 100         |
| Aziza Panda Trading Company ("APTC")                                           | Saudi Arabia                    | 100                                                      | -           |
| Al Azizia - Panda Al Qassim Company                                            | Saudi Arabia                    | 100                                                      | 100         |
| Savola Edible Oils Company Ltd. ("SEO")                                        | Saudi Arabia                    | 90.62                                                    | 90.43       |
| Herfy Food Services Company Ltd.                                               | Saudi Arabia                    | 70                                                       | 70          |
| Savola Industrial Investments Co. ("SIIC")                                     | Saudi Arabia                    | 63.5                                                     | 63.5        |
| Modern Marafiq for Real Estate Development Co. Ltd. ("MMRDC")                  | Saudi Arabia                    | 100                                                      | -           |

SEO also has investments in the following companies:

| <u>Name</u>                        | <u>Consolidation status</u> | <u>Country of incorporation</u> | <u>Ownership interest (%) at September 30,</u> |             |
|------------------------------------|-----------------------------|---------------------------------|------------------------------------------------|-------------|
|                                    |                             |                                 | <u>2004</u>                                    | <u>2003</u> |
| Malintra Holdings                  | Consolidated                | Luxembourg                      | 100                                            | 100         |
| Savola Sime Foods Limited ("SSFL") | Consolidated                | Virgin Islands                  | 50                                             | 50          |
| Savola Jordan Company              | Consolidated                | Jordan                          | 75                                             | 51          |
| Savola Morocco Company ("SMC")     | Consolidated                | Morocco                         | 51                                             | -           |
| Savola Sudan Company ("SSC")       | Unconsolidated              | Sudan                           | 60                                             | -           |
| Savola Bahrain Company ("SBC")     | Unconsolidated              | Bahrain                         | 90                                             | 90          |
| Inveskz Inc. (Inveskz)             | Unconsolidated              | Virgin Islands                  | 64                                             | -           |
| Savola Behshahr (SB - Iran)        | Unconsolidated              | Iran                            | 49                                             | -           |

SIIC has a 64.79% ownership interest in United Sugar Company Ltd., a limited liability company registered in Saudi Arabia, which was consolidated in SIIC's interim financial statements before the preparation of these interim condensed consolidated financial statements.

The Group also has an effective ownership interest of 49.9% in Savola Sime Egypt ("SSE"), a limited liability company registered in the Arab Republic of Egypt, which was also consolidated in SSFL's interim financial statements (having 75% ownership interest in SSE) before the preparation of these accompanying interim condensed consolidated financial statements. The Group has significant control over SSE.

During 2002, the Company set up Tayseer FZCO as a limited liability company in the United Arab Emirates for the purpose of trading in food products. It has not started operations as of September 30, 2004.

During 2002, the Company resolved to liquidate SSFC. However, the legal liquidation procedures are in process as of September 30, 2004. Net assets of SSFC at September 30, 2004 amounted to SR 8.8 million, and no significant gain or loss is expected upon liquidation.

During 2003, the Company set up APTC as a limited liability company in Saudi Arabia for the purpose of trading in food products. It has not commenced operations as of September 30, 2004.

During 2003, SMC and SSC were set up as limited liability companies in Morocco and Sudan, respectively, for the purpose of manufacturing and trading in edible oil products. As of September 30, 2004, SSC was still under development. Management expects that it will become operational in 2005.

The Group's effective ownership interest in SBC is 100% (90% through SEO and 10% through the Company). SBC did not have any operations during 2004 and 2003. On September 17, 2003, the shareholders of SBC convened a meeting and resolved to liquidate SBC and appointed a liquidator. Currently, SBC is under the liquidation process. Accordingly, SBC's interim financial statements have not been consolidated in the Company's accompanying interim condensed consolidated financial statements for 2004 and 2003. Net assets of SBC at September 30, 2004 amounted to SR 0.7 million, and no significant gain or loss is expected upon liquidation.

During 2004, the Company set up MMRDC as a limited liability company in Saudi Arabia for the purpose of trading and investing in real estate. It has not commenced operations as of September 30, 2004.

During 2004, the Company acquired 64% ownership interest in Inveskz, a limited liability company registered in the British Virgin Islands. The main purpose of Inveskz is to hold an investment in a Kazakhstan-based company engaged in the production and distribution of edible oil products. In accordance with this shareholding agreement, SEO will acquire control over Inveskz only if it increases its ownership interest in Inveskz from 64% to 90%. In this respect, SEO does not have control over Inveskz as of September 30, 2004 and, accordingly, such investee has not been consolidated in the accompanying interim condensed consolidated financial statements of the Company.

During 2004, SEO acquired 49% ownership interest in SB - Iran, which is a closed joint stock company registered in Iran. The main purpose of SB - Iran is to hold investments in two Iranian joint stock companies engaged in the production and distribution of edible oil products and margarine.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reports issued by the Saudi Organization for Certified Public Accountants (SOCPA). The accounting policies adopted by the Company in the preparation of its interim condensed consolidated financial statements are in conformity with those described in the Company's annual report for 2003, which are summarized as follows:

Basis of consolidation - The interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries set forth in Note 1. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of estimates - The preparation of interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.



Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents - Time deposits purchased with original maturities of less than three months are included in cash and cash equivalents.

Accounts receivable - Accounts receivable are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Group will not be able to collect all amounts due according to the original terms of accounts receivable.

Inventories - Inventories are valued at the lower of cost or market. Cost is determined on the moving-average method. Cost of finished goods and work-in-process includes the cost of raw materials, direct labor and production overheads.

Investments in unconsolidated subsidiaries - Investments in unconsolidated subsidiaries, which are either under formation or liquidation, or where the control does not rest with the Group, or are under restructuring or re-organization, are not consolidated in these interim condensed consolidated financial statements but are accounted for using the equity method.

Investments in associated companies - Investments in associated companies, in which the Group has an effective ownership interest of less than 50%, are accounted for using the equity method. According to this method, investments are originally recorded at cost and then adjusted to reflect the Group's share in the profits or losses of the investee companies and their distribution of profits. The Group's share of profits or losses of the investee companies is credited or charged to the interim condensed consolidated statement of income currently.

Available-for-sale securities and other equity investments - Available-for-sale securities principally consist of less than 20% equity investments in various locally listed companies. The management intends to dispose of these investments within a period of one year from the date of the interim consolidated balance sheet date and, hence, such investments have been classified under current assets. Other equity investments, which are not held for trading purposes, principally consist of less than 20% equity investments in various limited liability companies. These investments are recorded at cost when acquired. The carrying values of these investments are adjusted based on the fair values of these companies at the date of the interim consolidated balance sheet, unless it is determined that the fair values cannot be estimated, in which case such investments are reflected at cost. Unrealized gains or losses resulting from changes in fair values are reported as a separate component of shareholders' equity. On disposal, such unrealized gains or losses are charged to the interim condensed consolidated statement of income. Permanent diminution, if any, in the value of such investments is charged to the interim condensed consolidated statement of income currently.

Goodwill - Goodwill represents the excess cost of investments over the fair value of the net assets acquired, and is being amortized using the straight-line method over a period not exceeding 20 years.

Deferred charges - Deferred charges consist of expenses incurred by the Group on setting up new retail outlets and other projects, which are expected to have future benefits. Such expenses are being amortized using the straight-line method over the related estimated economic lives not exceeding five years.

Deferred charges also include SIDF loan approval fees and related costs, which are deferred and are being amortized using the straight-line method over the period of the respective loans.

Fixed assets - Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

|                                | <u>Years</u> |
|--------------------------------|--------------|
| Land                           | -            |
| Buildings                      | 20 - 33      |
| Machinery and equipment        | 3 - 20       |
| Furniture and office equipment | 4 - 10       |
| Motor vehicles                 | 3 - 4        |
| Leasehold improvements         | 15 - 25      |

Interest costs on borrowings to finance the construction of fixed assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses.

Impairment of long-lived assets - Fixed assets and other non-current assets, including goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Borrowings - Borrowings are recognized at the proceeds received, net of transaction costs incurred.

Other provisions - Other provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Employees' termination benefits - Employees' termination benefits required by the Saudi labor and workman law are accrued and charged to the interim condensed consolidated statement of income currently. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the interim consolidated balance sheet date. Termination payments are based on the employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

Revenue recognition - Sales are recognized upon delivery of products or providing services to the customers, and are recorded net of discounts. Rental income is recognized over the lease terms.

Revenues are principally derived from manufacturing, wholesale and retail business in food and related products.

Operating leases - Rentals in respect of operating leases are charged to the interim condensed consolidated statement of income over the terms of the leases.

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

Zakat and income tax - The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax. The foreign subsidiaries are subject to tax regulations in their countries of incorporation. Zakat and income tax are charged to the interim condensed consolidated statement of income currently.

Foreign currency translation - The Company's books of account are maintained in Saudi riyals. Foreign currency transactions are translated into Saudi riyals at the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are adjusted to reflect their Saudi riyal equivalents as of the interim consolidated balance sheet date. Exchange adjustments, which were not significant for 2004 and 2003, are charged or credited to the interim condensed consolidated statement of income currently.

Assets and liabilities of foreign subsidiaries are translated at the exchange rates in effect at the date of the interim condensed consolidated financial statements. The components of foreign subsidiaries' equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' interim income statements are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' interim financial statements into Saudi riyals are reported as a separate component of shareholders' equity in the accompanying interim condensed consolidated financial statements.

Reclassifications - Certain amounts in the 2003 interim condensed consolidated financial statements have been reclassified to conform to the 2004 presentation.

### **3. SEASONAL CHANGES**

Some of the Group's activities are affected by seasonal movements related to the month of Ramadan and Eid Al Fitr, which cause sales to increase significantly in that period. The effect of such period for 2004 and 2003 will principally fall in the first and last quarters of the financial year.

### **4. SHORT-TERM BORROWINGS**

Short-term borrowings consist of bank overdrafts, short-term bank loans and Murabaha financing arrangements, and bear financing charges at the prevailing market rates. Some of these short-term borrowings are secured by corporate guarantees of the Company and other group member companies.

The Group has unused revolving bank borrowing facilities of SR 804.5 million as of September 30, 2004. At September 30, 2004, the Group's consolidated total current liabilities exceeded its consolidated total current assets by SR 618.6 million. Management believes that these unused facilities will be utilized to meet the Group's financial obligations as they become due.

### **5. INTERIM DIVIDENDS**

The Board of Directors approved interim dividends of SR 242 million for payment to the shareholders from the net income for the nine months ended September 30, 2004 (2003 - SR 153.14 million). These interim dividends resulted in a net payment to the Saudi shareholders of SR 12.1 per share (2003 - SR 9.57 per share).

### **6. SHARE CAPITAL**

The shareholders of the Company, in their extra-ordinary general assembly meeting held on July 5, 2003, resolved to increase the Company's share capital by issuing 3 bonus shares for every 11 shares outstanding at that date. As a result, the share capital increased to SR 800 million and the number of shares increased to 16 million shares. A transfer of SR 171.4 million from share premium reserve account affected such increase in share capital.

Also, the shareholders of the Company, in their extra-ordinary general assembly meeting held on May 18, 2004, resolved to increase the Company's share capital by issuing 1 bonus share for every 4 shares outstanding at that date. As a result, the share capital increased to SR 1 billion and the number of shares increased to 20 million shares. Such increase in share capital was affected by a transfer of SR 200 million from share premium reserve account.

## 7. EARNINGS PER SHARE

Earnings per share for the three and nine-month periods ended September 30, 2004 amounted to SR 5.7 and SR 13.0, respectively, which are based on 20 million shares outstanding at September 30, 2004 (2003 - SR 3.9 and SR 10, respectively as restated for the increase in share capital and shares).

## 8. SEGMENTAL INFORMATION

During the nine-month periods ended September 30, 2004 and 2003, the principal activities of the Group related to the manufacturing, wholesale and retail trading in various types of food and related products. Selected financial information as of September 30, 2004 and 2003, and for the nine-month periods then ended, summarized by segment, is as follows (SR 000's):

| <u>2004</u>                    | <u>Manufacturing/<br/>wholesale</u> | <u>Retail</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------|-------------------------------------|---------------|--------------|--------------|
| Fixed assets - net             | 898,493                             | 1,628,600     | 15,652       | 2,542,745    |
| Other non-current assets - net | 405,481                             | 112,974       | 598,382      | 1,116,837    |
| Sales - net                    | 2,107,871                           | 1,482,710     | -            | 3,590,581    |
| Net income                     | 138,352                             | 22,980        | 98,846       | 260,178      |
| <u>2003</u>                    |                                     |               |              |              |
| Fixed assets - net             | 812,581                             | 1,058,024     | 16,953       | 1,887,558    |
| Other non-current assets - net | 37,537                              | 78,675        | 640,451      | 756,663      |
| Sales - net                    | 1,596,461                           | 1,329,648     | -            | 2,926,109    |
| Net income                     | 111,829                             | 25,644        | 63,094       | 200,567      |

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of September 30, 2004 and 2003, and for the nine-month periods then ended, summarized by geographic area, is as follows (SR 000's):

| <u>2004</u>                       | <u>Saudi Arabia</u> | <u>Egypt</u> | <u>Iran</u> | <u>Other<br/>countries</u> | <u>Total</u> |
|-----------------------------------|---------------------|--------------|-------------|----------------------------|--------------|
| Fixed assets - net                | 2,412,324           | 57,968       | -           | 72,453                     | 2,542,745    |
| Other non-current<br>assets - net | 738,821             | -            | 288,071     | 89,945                     | 1,116,837    |
| Sales - net                       | 2,996,916           | 295,601      | -           | 298,064                    | 3,590,581    |
| Net income (loss)                 | 258,490             | 2,080        | -           | (392)                      | 260,178      |
| <u>2003</u>                       |                     |              |             |                            |              |
| Fixed assets - net                | 1,807,384           | 56,144       | -           | 24,030                     | 1,887,558    |
| Other non-current<br>assets - net | 615,585             | 3,999        | -           | 137,079                    | 756,663      |
| Sales - net                       | 2,587,480           | 247,001      | -           | 91,628                     | 2,926,109    |
| Net income (loss)                 | 199,699             | 4,173        | -           | (3,305)                    | 200,567      |

**9. CONTINGENT LIABILITIES AND OTHER MATTERS**

The Department of Zakat and Income Tax ("DZIT") has assessed additional zakat liability of SR 43.6 million concerning prior periods against the Company and certain of its consolidated subsidiaries. Management has appealed such assessments and believes that the DZIT will eventually reverse its assessments. Accordingly, no additional provision for such assessments has been made in the accompanying interim condensed consolidated financial statements.

**10. BOARD OF DIRECTORS' APPROVAL**

These interim condensed consolidated financial statements have been approved for issue by the Company's Board of Directors on October 16, 2004.

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