SAVOLA GROUP COMPANY

(Saudi Joint Stock Company)

Unaudited Interim Condensed Consolidated Financial Statements for the Three Months Ended March 31, 2005 and 2004 and Independent Accountants' Report

AL JURAID & COMPANY
MEMBER FIRM OF
PRICEWATERHOUSECOOPERS

P.O. Box 16415
Jeddah 21464
Saudi Arabia

ABDUL MAJEED H. AJOOZAH

P.O. Box 32446
Jeddah 21428
Saudi Arabia

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

April 24, 2005

To the Shareholders of Savola Group Company:

We have reviewed the accompanying interim consolidated balance sheets of Savola Group Company (the "Company") and its subsidiaries as of March 31, 2005 and 2004 and the related interim condensed consolidated statements of income and retained earnings and of cash flows for the three-month periods then ended, including the related condensed notes, which were prepared by the Company's management and presented to us with all information and explanations which we required.

We conducted our limited reviews in accordance with Standard of Review of Interim Financial Reports issued by the Saudi Organization for Certified Public Accountants. A limited review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible in the Company for financial and accounting matters. Such a review 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 limited reviews, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements as of March 31, 2005 and 2004 and for the three-month periods then ended for them to be in conformity with accounting principles generally accepted in Saudi Arabia, appropriate to the circumstances of the Company.

AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers

By: ____________________
Sami B. Al Sarraj
License Number 165

ABDUL MAJEED H. AJOOZAH

By: ____________________
Abdul Majeed H. Ajoozah
License Number 58

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)
MARCH 31, 2005 AND 2004
(SR'000)

		2005		2004
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	SR	265,248	SR	105,620
Available-for-sale securities		231,247		92,323
Accounts receivable - net		792,557		433,564
Inventories - net		970,504		443,541
Prepayments and other assets		182,540		144,091
Total current assets		2,442,096		1,219,139
INVESTMENTS - Net		602,055		597,487
GOODWILL - Net		134,775		108,808
OTHER NON-CURRENT ASSETS - Net		63,668		35,419
FIXED ASSETS - Net		3,252,389		2,097,162
TOTAL	SR	6,494,983	SR	4,058,015
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term bank borrowings	SR	1,163,492	SR	828,831
Current portion of long-term debt		160,343		72,558
Accounts payable		715,794		440,270
Accrued expenses and other liabilities		413,149		206,325
Total current liabilities		2,452,778		1,547,984
LONG-TERM PAYABLES		153,688		100,125
LONG-TERM DEBT		1,060,685		141,054
EMPLOYEES' TERMINATION BENEFITS		100,330		76,034
Total liabilities		3,767,481		1,865,197
MINORITY INTERESTS		612,628		386,838
SHAREHOLDERS' EQUITY:				
Share capital (Note 5)		1,250,000		800,000
Share premium reserve (Note 5)		9,000		209,000
Statutory reserve		394,631		344,394
General reserve		254,000		254,000
Unrealized gain on investments		32,448		2,579
Foreign currency translation adjustments		(59,398)		(63,452)
Retained earnings		234,193		259,459
Total shareholders' equity		2,114,874		1,805,980
TOTAL	SR	6,494,983	SR	4,058,015

The accompanying notes 1 to 9 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 MONTHS ENDED MARCH 31, 2005 AND 2004
(SR'000)

	2005	2004
REVENUES - Net	SR 1,543,532	SR 1,118,142
COST OF REVENUES	(1,310,380)	(917,680)
GROSS PROFIT	233,152	200,462
EXPENSES:		
Selling and marketing	(113,464)	(95,402)
General and administrative	(66,095)	(54,873)
OPERATING INCOME	53,593	50,187
OTHER (EXPENSES) INCOME:		
Investments income - net	79,987	27,435
Financing (expenses) income and other - net	(9,003)	4,012
INCOME BEFORE ZAKAT AND FOREIGN INCOME TAX AND MINORITY INTERESTS	124,577	81,634
ZAKAT AND FOREIGN INCOME TAX	(2,226)	(1,839)
INCOME BEFORE MINORITY INTERESTS	122,351	79,795
SHARE OF MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(16,295)	(13,636)
NET INCOME	106,056	66,159
RETAINED EARNINGS AT BEGINNING OF PERIOD	453,737	305,900
DIVIDENDS	(75,000)	(112,000)
BONUS SHARES ISSUED	(250,000)	-
DIRECTORS' REMUNERATIONS	(600)	(600)
RETAINED EARNINGS AT END OF PERIOD	SR 234,193	SR 259,459
EARNINGS PER SHARE (in Saudi riyals) (Note 6)	4.24	2.65

The accompanying notes 1 to 9 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 THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(SR'000)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	SR 106,056	SR 66,159
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	53,397	38,658
Minority interests	16,295	13,636
Investments income - net	(79,987)	(27,435)
Net changes in operating assets and liabilities	(131,292)	52,508
Net cash (used) provided by operating activities	(35,531)	143,526
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received from an associated company	100,825	-
Additions to investments - net	(39,949)	(101,962)
Changes in goodwill	1,416	(1,807)
Additions to other non-current assets	(4,809)	(14,850)
Additions to fixed assets - net	(109,400)	(105,987)
Net cash used by investing activities	(51,917)	(224,606)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in short-term borrowings	171,329	90,136
Net changes in long-term borrowings	(3,104)	-
Net changes in minority interests and other	(36,065)	2,707
Dividends paid	(43,250)	(72,515)
Net cash provided by financing activities	88,910	20,328
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,462	(60,752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	263,786	166,372
CASH AND CASH EQUIVALENTS AT END OF PERIOD	SR 265,248	SR 105,620

The accompanying notes 1 to 9 form an integral part of these interim condensed consolidated financial statements.

1. THE COMPANY, ITS SUBSIDIARIES 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, 1979). 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:

		Effective ownership interest (%) at March 31,	
Name	Country of incorporation	2005	2004
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.	Saudi Arabia	-	100
Savola Trading International Limited ("STI")	Virgin Islands	100	100
Tayseer FZCO ("Tayseer")	United Arab Emirates	100	100
Azizia Panda Trading Company ("APTC")	Saudi Arabia	100	100
Al-Azizia-Panda United Company (formerly Al Azizia - Panda Al Qassim Company)	Saudi Arabia	100	100
Savola Edible Oils Company Ltd. ("SEO")	Saudi Arabia	90.63	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 the following consolidated subsidiaries:

Name	Country of incorporation	Effective ownership interest (%) at March 31, 2005	2004
Malintra Holdings	Luxembourg	100	100
Afia International Company, Jordan (formerly Savola Jordan Company)	Jordan	75	75
Savola Morocco Company	Morocco	51	51
Savola Sime Foods Limited ("SSFL")	Virgin Islands	50	50
Savola Edible Oils (Sudan) Ltd. (under development) ("SSC")	Sudan	65.9	60
Inveskz Inc. (Inveskz)	Virgin Islands	90	-
Savola Behshahr Company ("SBeC")	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 financial statements (having 75% ownership interest in SSE) before the preparation of these interim condensed consolidated financial statements. The Group has significant control over SSE.

The Company has set up MMRDC, APTC, STI and Tayseer as limited liability companies for the purpose of trading and investing in real estate. These companies have not commenced operations as of March 31, 2005.

During 2004, SSC was set up as a limited liability company in Sudan for the purpose of manufacturing and trading in edible oil products. As of March 31, 2005, SSC was still under development. Management expects that it will become operational in late 2005.

During 2004, SEO acquired 90% ownership interest in Inveskz, an international business 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.

During 2004, SEO also acquired 49% ownership interest in SBeC, a closed joint stock company registered in Iran. The main purpose of SBeC is to hold investments in two Iranian publicly traded joint stock companies engaged in the production and distribution of edible oil products and margarine. SEO has significant control over SBeC.

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 2004, which are summarized as follows:

Basis of consolidation - The consolidated financial statements include the financial statements of the Company and its subsidiaries set forth in Note 1 above. 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 - Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Group without any restrictions.

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 weighted-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, are not consolidated in these interim condensed 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 as 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, if material, 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.

If the cost of the acquired investment is less than its fair value as of the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion with their book values.

Other non-current assets

i) Deferred charges - Deferred charges consist of expenses incurred by the Group on setting up new retail outlets and other projects. Such expenses are 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.

ii) Premium on leased land - Premium on leased land, which was paid by the Group to a third party to acquire the rights to lease the land from a government agency, is recorded at cost, net of accumulated amortization. Amortization is calculated using the straight-line method over the life of leased land or 20 years, whichever is lower.

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:

	Years
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 when incurred.

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. For the purpose of assessing impairment, assets are grouped at the lowest possible level for which there are separately identifiable cash flows.

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 are accrued in accordance with the labor and workman laws in the countries of incorporation of the Group member companies 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 he leave at the interim consolidated balance sheet date. Termination payments are based on the conditions stated in the laws of those countries.

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, and is included under revenues.

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

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

<u>Selling, marketing, general and administrative expenses</u> - 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.

<u>Zakat and income tax</u> - The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiaries are subject to tax regulations in their countries of incorporation. Zakat and income tax related to foreign subsidiaries are charged to the interim condensed consolidated statement of income currently.

<u>Foreign currency translation</u> - 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 2005 and 2004, 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’ income statements are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries’ financial statements into Saudi riyals are reported as a separate component of shareholders' equity in the accompanying interim condensed consolidated financial statements.

<u>Dividends</u> - Interim dividends are recorded in the Group's interim condensed consolidated financial statements in the period in which they are approved by the Boards of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

<u>Reclassifications</u> - Certain amounts in the 2004 interim condensed consolidated financial statements have been reclassified to conform to the 2005 presentation.

3. SEASONAL CHANGES

Some of the Group's activities are affected by seasonal movements related to the month of Ramadan and Eid Al Adha, which cause sales to increase significantly in that period. The effect of such period for 2005 and 2004 will 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 700 million as of March 31, 2005. At March 31, 2005, the Group's total consolidated current liabilities exceeded its total consolidated current assets by SR 10.7 million. Management believes that these unused facilities will be utilized to meet the Group's financial obligations as they become due.

5. SHARE CAPITAL

The Company's share capital of SR 1,250 million at March 31, 2005 (2004 - SR 800 million) consists of 25 million (2004 - 16 million) fully paid and issued shares of SR 50 each.

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

Also, the shareholders of the Company, in the extra-ordinary general assembly meeting held on March 19, 2005, resolved to increase the Company's share capital by issuing one bonus share for every four shares outstanding as of that date and approved the payment of final dividends amounting to SR 75 million to the shareholders As a result, the share capital increased to SR 1,250 million and the number of shares increased to 25 million shares. A transfer of SR 250 million from retained earnings affected such increase in share capital.

The Board of Directors, in its meeting held on September 15, 2004, resolved to further increase the Company's share capital by issuing new right shares to the existing shareholders as of that date. Currently, the Company is in process of obtaining regulatory approval for this increase in capital.

6. EARNINGS PER SHARE

Earnings per share for the period ended March 31, 2004 have been computed by dividing the net income for such period by 25 million shares to give a retroactive effect of the share capital increase mentioned in Note 5.

7. SEGMENTAL INFORMATION

During the three-month periods ended March 31, 2005 and 2004, 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 March 31, 2005 and 2004, and for the three-month periods then ended, summarized by segment, is as follows (SR 000's):

2005	Manufacturing/ wholesale	Retail	Other	Total
Fixed assets - net	1,404,243	1,829,004	19,142	3,252,389
Non-current assets - net	103,209	128,243	569,046	800,498
Revenues - net	1,004,612	537,462	1,458	1,543,532
Net income	31,382	9,873	64,801	106,056
2004				
Fixed assets - net	807,855	1,271,580	17,727	2,097,162
Non-current assets - net	77,033	90,501	574,180	741,714
Revenues - net	641,773	476,369	-	1,118,142
Net income	41,483	9,655	15,021	66,159

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of March 31, 2005 and 2004, and for the three-month periods then ended, summarized by geographical area, is as follows (SR 000's):

2005	Saudi Arabia	Egypt	Iran	Other countries	Total
Fixed assets - net	2,627,425	60,207	422,545	142,212	3,252,389
Non-current assets - net	708,140	-	9,614	82,744	800,498
Revenues - net	1,090,875	106,097	282,798	63,762	1,543,532
Net income (loss)	113,861	429	2,201	(10,435)	106,056
2004					
Fixed assets - net	2,015,867	57,597	-	23,698	2,097,162
Non-current assets - net	735,821	-	-	5,893	741,714
Revenues - net	955,106	100,314	-	62,722	1,118,142
Net income (loss)	65,554	1,356	-	(751)	66,159

8. CONTINGENT LIABILITIES

The DZIT has assessed additional zakat liability of SR 35.6 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 provision for such amount has been made in the accompanying interim condensed consolidated financial statements.

9. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements have been approved for issue by the Company's Board of Directors on April 24, 2005.