




SAVOLA GROUP COMPANY
(Saudi Joint Stock Company)

**Unaudited Interim Condensed Consolidated
Financial Statements for the Three Months
Ended March 31, 2006 and
Independent Accountants' Review Report**



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

April 15, 2006

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 March 31, 2006 and the related interim condensed consolidated statements of income and retained earnings and of cash flows for the three months then ended, including the related condensed notes. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the Standard of Review of Interim Financial Reports issued by the Saudi Organization for Certified Public Accountants. A 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. 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 as of March 31, 2006 and for the three months then ended for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company.

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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)
MARCH 31, 2006 AND 2005 (SR'000)

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	SR 1,112,078	SR 265,248
Available-for-sale securities	-	231,247
Accounts receivable - net	1,186,056	792,557
Inventories - net	1,302,260	970,504
Prepayments and other assets	<u>378,184</u>	<u>182,540</u>
Total current assets	3,978,578	2,442,096
INVESTMENTS - Net (see Note 3)	1,509,452	602,055
GOODWILL - Net	90,610	134,775
OTHER NON-CURRENT ASSETS - Net	74,833	63,668
FIXED ASSETS - Net	<u>4,075,209</u>	<u>3,252,389</u>
TOTAL	<u>SR 9,728,682</u>	<u>SR 6,494,983</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES:		
Short-term bank borrowings (see Note 5)	SR 595,513	SR 1,163,492
Current portion of long-term debt	146,183	160,343
Accounts payable	1,650,915	715,794
Accrued expenses and other liabilities	<u>397,789</u>	<u>413,149</u>
Total current liabilities	2,790,400	2,452,778
LONG-TERM PAYABLES	117,331	153,688
LONG-TERM DEBT	590,642	1,060,685
EMPLOYEES' TERMINATION BENEFITS	<u>129,841</u>	<u>100,330</u>
Total liabilities	<u>3,628,214</u>	<u>3,767,481</u>
COMMITMENTS AND CONTINGENT LIABILITIES (see Note 9)		
EQUITY:		
Equity attributable to the Company's shareholders:		
Share capital (see Note 6)	1,800,000	1,250,000
Share premium reserve (see Note 6)	2,100,000	9,000
Statutory reserve	514,849	394,631
General reserve	4,000	254,000
Unrealized gains on available-for-sale securities	-	32,448
Foreign currency translation adjustments	(111,587)	(59,398)
Retained earnings	<u>1,073,493</u>	<u>234,193</u>
Total shareholders' equity	5,380,755	2,114,874
Minority interests	<u>719,713</u>	<u>612,628</u>
Total equity	<u>6,100,468</u>	<u>2,727,502</u>

TOTAL

SR 9,728,682 SR 6,494,983

The accompanying notes 1 to 11 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, 2006 AND 2005 (SR'000)**

	<u>2006</u>	<u>2005</u>
REVENUES - Net	SR 1,922,710	SR 1,551,238
COST OF REVENUES	<u>(1,603,781)</u>	<u>(1,310,380)</u>
GROSS PROFIT	318,929	240,858
EXPENSES:		
Selling and marketing	(152,132)	(113,464)
General and administrative	<u>(80,325)</u>	<u>(66,095)</u>
OPERATING INCOME	86,472	61,299
OTHER (EXPENSES) INCOME:		
Investments income - net	85,122	79,987
Financing income (expenses) and other - net	<u>8,491</u>	<u>(16,709)</u>
INCOME BEFORE ZAKAT AND FOREIGN INCOME TAX AND MINORITY INTERESTS	180,085	124,577
ZAKAT AND FOREIGN INCOME TAX	<u>(9,316)</u>	<u>(2,226)</u>
INCOME BEFORE MINORITY INTERESTS	170,769	122,351
SHARE OF MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	<u>(34,969)</u>	<u>(16,295)</u>
NET INCOME	135,800	106,056
RETAINED EARNINGS AT BEGINNING OF PERIOD	938,293	453,737
DIVIDENDS	-	(75,000)
BONUS SHARES ISSUED	-	(250,000)
DIRECTORS' REMUNERATIONS	<u>(600)</u>	<u>(600)</u>
RETAINED EARNINGS AT END OF PERIOD	<u>SR 1,073,493</u>	<u>SR 234,193</u>
EARNINGS PER SHARE (in Saudi riyal) (see Note 7)	<u>SR 0.76</u>	<u>SR 0.62</u>

The accompanying notes 1 to 11 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, 2006 AND 2005 (SR'000)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	SR 135,800	SR 106,056
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Investments income - net	(85,121)	(79,987)
Depreciation and amortization	55,379	53,397
Share of minority interests in the net income of consolidated subsidiaries	34,969	16,295
Changes in operating assets and liabilities:		
Accounts receivable	(243,181)	(174,469)
Inventories	(180,059)	2,221
Prepayments and other current assets	(93,445)	(34,265)
Accounts payable	443,031	(32,927)
Accrued expenses and other current liabilities	(51,460)	114,194
Employees' termination benefits	<u>7,525</u>	<u>(6,046)</u>
Net cash provided (used) by operating activities	<u>23,438</u>	<u>(35,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to investments	(722,451)	(182,547)
Proceeds from sale of investments	599,709	142,598
Dividends received from an associated company	-	100,825
Net change in goodwill	(159)	1,416
Additions to other non-current assets	(16,872)	(4,809)
Additions to fixed assets - net	(210,639)	(109,400)
Net cash used by investing activities	<u>(350,412)</u>	<u>(51,917)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in short-term bank borrowings	(830,097)	171,329
Net change in long-term debt	(399,899)	(3,104)
Net changes in minority interests	23,781	(36,065)
Net proceeds from new shares issued	2,391,000	-
Dividends paid	<u>(10,881)</u>	<u>(43,250)</u>
Net cash provided by financing activities	<u>1,173,904</u>	<u>88,910</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	846,930	1,462
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>265,148</u>	<u>263,786</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>SR 1,112,078</u>	<u>SR 265,248</u>

The accompanying notes 1 to 11 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 MONTHS ENDED MARCH 31, 2006 AND 2005

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:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u> at March 31,	
		<u>2006</u>	<u>2005</u>
Savola Packaging Systems Limited ("SPS")	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 Trading International Limited	Virgin Islands	100	100
Tayseer FZCO	UAE	100	100
Azizia Panda Trading Company	Saudi Arabia	100	100
Al-Azizia Panda United Company	Saudi Arabia	100	100
Afia International Company ("AIC"), formerly Savola Edible Oils Company Ltd.	Saudi Arabia	90.62	90.62
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.	Saudi Arabia	100	100
United Properties Development Company ("UPDC")	Saudi Arabia	70	-
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	100	-

AIC also has the following consolidated subsidiaries:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%) at March 31,</u>	
		<u>2006</u>	<u>2005</u>
Malintra Holdings	Luxembourg	100	100
Afia International Company - Jordan	Jordan	75	75
Savola Morocco Company	Morocco	60	51
Savola Sime Foods Limited ("SSFL")	Virgin Islands	100	50
Savola Edible Oils (Sudan) Ltd.	Sudan	89	65.9
Inveskz Inc.	Virgin Islands	90	90
Savola Behshahr Company	Iran	49	49

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

During 2005, USC set up United Sugar Company - Egypt ("USCE") as a limited liability company registered in the Arab Republic of Egypt. The purpose of USCE is to own and operate a cane sugar refinery in Egypt and to sell and distribute refined sugar and related by-products. The Group has an effective ownership interest of 38.9% in USCE, which was also consolidated in USC's interim financial statements (having 51% ownership interest in USCE) before the preparation of these interim condensed consolidated financial statements. The Group has significant control over USCE.

During 2005, the Company set up UPDC as a limited liability company in Saudi Arabia for the purpose of managing, operating, marketing and developing hotels, commercial, and residential complexes and providing industrial support services.

During 2005, SPS signed an agreement to acquire 100% effective ownership interest in Al-Sharq Plastic Industries Co. Ltd. ("Al-Sharq"), a limited liability company registered in Saudi Arabia, and made a partial payment of SR 86 million. The final payment is currently under dispute. In this connection, SPS has recorded the remaining estimated liability of SR 57.3 million. During the first quarter of 2006, the previous owner commenced legal proceedings against SPS to claim the remaining balance of the purchase price, in addition to compensation for late payment of the remaining amount and for legal fees. Also during the 3rd quarter of 2005, a minority shareholder of Al-Sharq, owning 1% equity interest, commenced legal proceedings against SPS to exercise his right to re-purchase the shares sold by Al-Sharq's majority shareholder to SPS. These litigations are in their preliminary stages and the outcome of the proceedings cannot be estimated at the time of issuance of these interim condensed consolidated financial statements. Further, as of March 31, 2006, Al-Sharq is going through a reorganization phase. Accordingly, Al-Sharq's interim financial statements as of March 31, 2006 and for the three months then ended have not been consolidated in the accompanying interim condensed consolidated financial statements, pending resolution of the above-mentioned matters.

During the last quarter of 2005, AIC entered into a purchase agreement with Consolidated Plantations Berhad ("CPB"), a Malaysian based company, to acquire the remaining 50% ownership interest in SSFL as part of CPB's strategic decision to exit from SSFL. As a result of the transaction, and after considering the fair value of the tangible assets of SSFL, AIC recognized the net excess of the fair value of SSFL's underlying net assets over its purchase price of SR 48.6 million as a credit to its consolidated statement of income for the year ended December 31, 2005. The purchase price was less than the fair value of the underlying net assets of SSFL due to the arrangements negotiated with CPB. Also, as a result of the above transaction, AIC recognized a foreign currency translation adjustment amounting to SR 66.2 million during the last quarter of 2005.

During the first quarter of 2006, the Company setup AAC as a limited liability company in Saudi Arabia for the purpose of dealing in real estate and related activities.

The Group also has an effective ownership interest of 83.4% in Savola Sime Egypt ("SSE"), a joint stock 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 interim condensed consolidated financial statements.

The accompanying interim condensed consolidated financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Group's management to present a fair consolidated statement of financial position, results of operations and cash flows. The interim results of operations for the three months ended March 31, 2006 and 2005 may not represent a proper indications for the Group's annual results of operations. These interim condensed consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements of the Company and the related notes for the year ended December 31, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for the measurement at fair value of available-for-sale investments. Significant 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 2005, which are summarized as follows:

Basis of consolidation - These interim condensed consolidated financial statements include the interim consolidated 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 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% and which do not qualify for consolidation, 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. The carrying values of these investments are adjusted based on their fair values at the date of the interim consolidated balance sheet. 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 credited or charged to the interim condensed consolidated statement of income.

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 because their fair values cannot be estimated.

Permanent diminution in the value of such investments, if any, 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 was being amortized using the straight-line method over a period not exceeding 20 years until December 31, 2005. In accordance with a recent amendment to the generally accepted accounting standard issued by SOCPA with respect to goodwill amortization, the Company has changed its goodwill amortization policy effective January 1, 2006, according to which goodwill is tested annually for impairment and is carried at cost, being the net book value as of December 31, 2005, net of accumulated impairment losses. Impairment losses on goodwill are not reversed once recorded. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. There was no such impairment loss during the three month period ended March 31, 2006. Had the accounting policy for amortization not changed, the amortization charge for the three months ended March 31, 2006 would have been SR 4.7 million, and the net income and the total assets would have been lower by the same amount.

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:

	<u>Years</u>
Land	-
Buildings	12.5 - 33
Machinery and equipment	3 - 30
Furniture and office equipment	4 - 11

Motor vehicles 4 - 10

Leasehold improvements 3 - 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 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels 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 - Revenues are recognized upon delivery of products or providing services to the customers, and are recorded net of discounts. Revenues include rental income which is recognized over the lease terms, and promotional and display income which is recognized as earned.

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 revenues

as required under generally accepted accounting principles. Allocations between cost of revenues 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 ("DZIT"). The foreign subsidiaries are subject to tax regulations in their countries of incorporation. Income taxes related to foreign subsidiaries are charged to the interim condensed consolidated statement of income currently.

Additional zakat and tax payable, if any, on the finalization of the Group's assessments are accounted for when determined.

Foreign currency translation - The Company's books of account are maintained in Saudi riyal. Foreign currency transactions are translated into Saudi riyal 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 2006 and 2005, 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 into Saudi riyal at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statements are translated into Saudi riyal using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' interim financial statements into Saudi riyal, if material, are reported as a separate component of shareholders' equity in the accompanying interim condensed consolidated financial statements.

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

3. INVESTMENTS

Investments at March 31 are comprised of the following (000's):

	<u>2006</u> (Unaudited)	<u>2005</u> (Unaudited)
Investments in associated companies - net	SR 913,328	SR 539,906
Other investments	<u>596,124</u>	<u>62,149</u>
Total	<u>SR 1,509,452</u>	<u>SR 602,055</u>

Investments in associated companies at March 31, 2006 are comprised of the Company's ownership interests in two associated companies (2005 - one), namely Al-Marai Company Limited ("Al-Marai") and Egyptian Fertilizer Company ("EFC").

During the 2nd quarter of 2005, the Company acquired 30% effective ownership interest in EFC, a closed joint stock company registered in the Arab Republic of Egypt. The main purpose of EFC is the manufacturing of, and wholesale and retail trading in fertilizers.

Also, during the 3rd quarter of 2005, the Company disposed off a portion of its investment in Al-Marai through the Al-Marai Initial Public Offer.

Other investments at March 31, 2006 principally comprise of the Company's investments in Al-Sharq of SR 143.5 million (see Note 1), and a 4.2% ownership interest in the King Abdullah Economic City Project amounting to SR 352.8 million.

4. 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 2006 and 2005 principally fall in the first and last quarters of the financial year.

5. SHORT-TERM BANK BORROWINGS

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

The Group has unused revolving bank borrowing facilities of SR 1.7 billion as of March 31, 2006.

6. SHARE CAPITAL AND DIVIDENDS DECLARATION

The Company's share capital of SR 1,800 million at March 31, 2006 (2005 - SR 1,250 million) consists of 36 million (2005 - 25 million) fully paid and issued shares of SR 50 each.

The shareholders of the Company, in the extra-ordinary general assembly meeting held on July 16, 2005, resolved to increase the Company's share capital by issuing 1 bonus share for every 5 shares outstanding as of that date. As a result, the share capital increased to SR 1,500 million and the number of shares increased to 30 million shares. A transfer of SR 250 million from general reserve affected such increase in share capital.

Also, the shareholders of the Company, in the extra-ordinary general assembly meeting held on November 16, 2005, resolved to increase the Company's share capital by issuing 6 million new shares at par value of SR 50 each, and at a premium of SR 350 per share, to the existing shareholders as of that date. On January 18, 2006, the Company received the regulatory approval in relation to this increase in capital. As a result, the share capital increased to SR 1,800

million, the share premium reserve increased to SR 2,100 million, (net of related expenses of SR 9 million) and the number of shares increased to 36 million shares.

In accordance with the Capital Market Authority's announcement dated March 27, 2006, the Company's shares were split into five shares for every one share by reducing the par value of each fully-paid and issued share from SR 50 to SR 10 effective April 15, 2006. Accordingly, the Company's fully-paid and issued shares increased from 36 million shares to 180 million shares as of that date.

Also, the Board of Directors, in its meeting held on January 29, 2006, proposed to increase the Company's share capital by issuing two bonus shares for every three shares outstanding as of that date, and proposed the payment of a final dividend amounting to SR 108 million to the shareholders (representing SR 0.60 per share for the 180 million shares, excluding the new 120 million bonus shares to be issued). These transactions will be recorded in the Company's financial statements in the 2nd quarter of 2006 after they are ratified by the shareholders in their general assembly annual meeting.

7. EARNINGS PER SHARE

Earnings per share for the three months ended March 31, 2006 have been computed by dividing the net income for such period by the weighted-average number of ordinary shares outstanding during the three months ended March 31, 2006 of 178.2 million shares, including the effect of share split that took place on April 15, 2006 (see Note 6).

Earnings per share for the three months ended March 31, 2005 have been computed by dividing the net income for such period by 171 million shares to give a retroactive effect of the bonus shares issued during the 3rd quarter of 2005, the effect of rights issue of 6 million new shares issued during the three months ended March 31, 2006, and the share split that took place on April 15, 2006.

8. SEGMENT INFORMATION

During the three months ended March 31, 2006 and 2005, the principal activities of the Group related to the manufacturing of, and wholesale and retail trading in various types of food and related products. Selected financial information as of March 31, 2006 and 2005, and for the three month periods then ended, summarized by segment, is as follows (SR 000's):

<u>2006 (unaudited)</u>	<u>Manufacturing/ wholesale</u>	<u>Retail</u>	<u>Investments and other activities</u>	<u>Total</u>
Fixed assets - net	1,494,021	2,563,506	17,682	4,075,209
Other non-current assets - net	245,873	116,048	1,312,974	1,674,895
Revenues - net	1,221,215	700,351	1,144	1,922,710

Net income	29,029	19,186	87,585	135,800
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	<u>Manufacturing/ wholesale</u>	<u>Retail</u>	<u>Investments and other activities</u>	<u>Total</u>
<u>2005 (unaudited)</u>				
Fixed assets - net	1,404,243	1,829,004	19,142	3,252,389
Other non-current assets - net	103,209	128,243	569,046	800,498
Revenues - net	1,004,612	545,168	1,458	1,551,238
Net income	31,382	9,873	64,801	106,056

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of March 31, 2006 and 2005 and for the three month periods then ended, summarized by geographic area, is as follows (SR 000's):

	<u>Saudi Arabia</u>	<u>Egypt</u>	<u>Iran</u>	<u>Other countries</u>	<u>Total</u>
<u>2006 (unaudited)</u>					
Fixed assets - net	3,401,944	105,892	422,314	145,059	4,075,209
Other non-current assets - net	1,177,332	433,876	44,159	19,528	1,674,895
Revenues - net	1,301,227	151,906	373,048	96,529	1,922,710
Net income (loss)	154,963	(39,816)	38,715	(18,062)	135,800
<u>2005 (unaudited)</u>					
Fixed assets - net	2,627,425	60,207	422,545	142,212	3,252,389
Other non-current assets - net	708,140	-	9,614	82,744	800,498
Revenues - net	1,098,581	106,097	282,798	63,762	1,551,238
Net income (loss)	113,861	429	2,201	(10,435)	106,056

9. COMMITMENTS AND CONTINGENT LIABILITIES

The DZIT has assessed additional zakat liability of SR 30.8 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.

During December 2005, the Company signed a commitment letter to invest up to US\$ 100 million (SR 375 million) in Swicorp Josour Company (proposed), whose main purpose will be to invest in energy and petrochemical related projects.

Also see Note 1 with regards to litigation involving the Group's investment in Al-Sharq.

10. RECLASSIFICATIONS

Certain amounts in the 2005 interim condensed consolidated financial statements have been reclassified to conform to the 2006 interim condensed consolidated financial statements presentation.

11. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on April 15, 2006.
