

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

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month and Nine-Month Periods  
Ended September 30, 2006**

**REVIEW REPORT ON  
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The shareholders  
Savola Group Company  
Jeddah, Saudi Arabia.

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (the Company) and its subsidiaries as of September 30, 2006 and the related interim consolidated statement of income for the three-month and nine-month periods ended September 30, 2006 and interim consolidated statement of cash flows for the nine-month period then ended and the attached condensed notes which form an integral part of these interim condensed consolidated financial statements.

These financial statements have been prepared by the Company and submitted to us together with all the information and explanations which we required. Our review was conducted in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standard on interim financial information. A review is limited primarily to analytical procedures applied to financial data and inquiries of Company personnel on financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, 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. The interim condensed consolidated financial statements for the comparative periods ended September 30, 2005 were reviewed by other auditors whose review report dated October 12, 2005 did not identify any material modifications to be made to such statements.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements as of September 30, 2006 and for the three and nine-month periods then ended for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company and its subsidiaries.

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Abdelgadir Bannaga, PhD/FCCA  
Licence No. 22

October 18, 2006

**SAVOLA GROUP COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET**  
(UNAUDITED)

As at September 30, 2006

<u>ASSETS</u>	<u>Note</u>	<u>2006</u> (SR 000)	<u>2005</u> (SR 000)
<b>Current assets:</b>			
Cash and cash equivalents		2,030,272	359,245
Available-for-sale investments		--	372,766
Accounts receivable		1,733,230	1,048,978
Inventories		1,334,828	1,382,468
Prepayments and other assets		<u>346,549</u>	<u>343,044</u>
<b>Total current assets</b>		<u>5,444,879</u>	<u>3,506,501</u>
<b>Non-current assets:</b>			
Investments	3	2,077,808	1,067,004
Intangible assets		180,138	178,746
Property, plant and equipment		<u>2,687,747</u>	<u>3,656,652</u>
<b>Total non-current assets</b>		<u>4,945,693</u>	<u>4,902,402</u>
<b>Total assets</b>		<u>10,390,572</u>	<u>8,408,903</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities:</b>			
Short-term borrowings	4	781,908	1,573,796
Current portion of long-term debts	5	137,635	132,177
Accounts payable		1,388,510	1,071,100
Accrued expenses and other liabilities		<u>523,801</u>	<u>733,298</u>
<b>Total current liabilities</b>		2,831,854	3,510,371
<b>Non-current liabilities:</b>			
Long-term payables		67,872	121,286
Long-term debts	5	609,241	1,050,934
Employees' termination benefits		<u>139,251</u>	<u>110,513</u>
<b>Total non-current liabilities</b>		<u>816,364</u>	<u>1,282,733</u>
<b>Total liabilities</b>		<u>3,648,218</u>	<u>4,793,104</u>
<b><u>EQUITY:</u></b>			
<b>Equity attributable to the Company's shareholders:</b>			
Share capital	6	3,000,000	1,500,000
Share premium reserve		900,000	9,000
Statutory reserve		514,849	394,631
General reserve		4,000	4,000
Unrealized gains on available-for-sale investments		--	76,224
Foreign currency translation adjustments		(104,474)	(58,978)
Retained earnings		<u>1,669,048</u>	<u>956,951</u>
<b>Total shareholders' equity</b>		5,983,423	2,881,828
<b>Minority interests</b>		<u>758,931</u>	<u>733,971</u>
<b>Total equity</b>		<u>6,742,354</u>	<u>3,615,799</u>
<b>Total liabilities and equity</b>		<u>10,390,572</u>	<u>8,408,903</u>

The accompanying notes 1 to 12 form an integral part  
of these interim condensed consolidated financial statements.

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

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
(UNAUDITED)

For the three-month and nine-month periods ended September 30, 2006

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>September 30,</u> <u>2006</u> (SR 000)	<u>September 30,</u> <u>2005</u> (SR 000)	<u>September 30,</u> <u>2006</u> (SR 000)	<u>September 30,</u> <u>2005</u> (SR 000)
Revenues – net	2,560,305	1,844,235	6,630,784	5,008,864
Cost of revenues	<u>(2,105,815)</u>	<u>(1,490,286)</u>	<u>(5,480,207)</u>	<u>(4,137,058)</u>
<b>Gross profit</b>	454,490	353,949	1,150,577	871,806
<b>EXPENSES:</b>				
Selling and marketing	(245,512)	(152,896)	(592,342)	(407,468)
General and administrative	<u>(72,529)</u>	<u>(142,711)</u>	<u>(255,335)</u>	<u>(280,571)</u>
<b>Total expenses</b>	<u>( 318,041)</u>	<u>(295,607)</u>	<u>(847,677)</u>	<u>(688,039)</u>
<b>Operating income</b>	136,449	58,342	302,900	183,767
<b>OTHER (EXPENSES) INCOME:</b>				
Share of profit from associates and gain on sale of investments	431,320	797,744	717,873	954,842
Financial income/(expenses) and other – net	<u>10,470</u>	<u>21,804</u>	<u>35,963</u>	<u>(2,244)</u>
<b>Income before Zakat and foreign tax and minority interests</b>	578,239	877,890	1,056,736	1,136,365
Zakat and foreign income tax	<u>(16,779)</u>	<u>(12,304)</u>	<u>(33,733)</u>	<u>(18,771)</u>
<b>Net income before minority interests</b>	561,460	865,586	1,023,003	1,117,594
Share of minority interests in the net income of consolidated subsidiaries	<u>(27,678)</u>	<u>(74,168)</u>	<u>(107,448)</u>	<u>(107,580)</u>
<b>Net income</b>	<u>533,782</u>	<u>791,418</u>	<u>915,555</u>	<u>1,010,014</u>
Earnings per share	<u>1.79</u>	<u>2.78</u>	<u>3.06</u>	<u>3.54</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

For the nine-month period ended September 30, 2006

	<u>2006</u> (SR 000)	<u>2005</u> (SR 000)
<b>Cash flows from operating activities:</b>		
Net income	915,555	1,010,014
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Share of profit from associates and gain on sale of investments	(717,873)	(954,842)
Depreciation and amortization	190,988	166,149
Share of minority interest in net income of consolidated subsidiaries	107,448	107,580
 Changes in operating assets and liabilities:		
Accounts receivable	(482,664)	(430,890)
Inventories	(212,627)	(409,743)
Prepayments and other current assets	(80,939)	(194,769)
Accounts payable	180,626	321,727
Accrued expenses and other current liabilities	150,825	433,794
Employees' termination benefits	19,186	4,137
Total adjustments	<u>(845,030)</u>	<u>(956,857)</u>
Net cash provided by operating activities	<u>70,525</u>	<u>53,157</u>
 <b>Cash flows from investing activities:</b>		
Net proceeds from sale of a subsidiary	1,546,997	--
Net change in investments	68,292	373,039
Net change in intangible assets	(59,204)	(3,034)
Net addition to property, plant and equipment	<u>(966,116)</u>	<u>(606,657)</u>
Net cash provided by (used in) investing activities	<u>589,969</u>	<u>(236,652)</u>
 <b>Cash flows from financing activities:</b>		
Net change in short-term borrowings	(643,702)	581,633
Net change in long-term debts	(389,848)	(41,020)
Net changes in minority interests	(9,480)	(6,007)
Net proceeds from new shares issued	2,391,000	--
Dividend paid	<u>(243,340)</u>	<u>(255,652)</u>
Net cash provided by financing activities	<u>1,104,630</u>	<u>278,954</u>
Net change in cash and cash equivalents	1,765,124	95,459
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><u>2,030,272</u></u>	<u><u>359,245</u></u>
 <b>Non cash items:</b>		
Foreign currency translation adjustments	8,232	2,393
Unrealized gains on available-for-sale investments	131,667	55,366
Directors' remunerations	1,800	1,800

The accompanying notes 1 to 12 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-month and nine-month periods ended September 30, 2006

**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 described as "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>2006</u>	<u>2005</u>
<u>Directly owned subsidiaries</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
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, formerly Al Azizia Panda Al Qassim Company	Saudi Arabia	100	100
Afia International Company ("AIC"), formerly Savola Edible Oils Company Ltd.	Saudi Arabia	90.6	90.6
Herfy Food Services Company Ltd.	Saudi Arabia	70	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	63.5	63.5
United Properties Development Company ("UPDC")	Saudi Arabia	70	--
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	100	--

1. **THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS (continued)**

<b><u>Entities majority owned/controlled through Subsidiaries</u></b>	<b><u>Country of incorporation</u></b>	<b>Subsidiary ownership interest (%)</b>	
		<b><u>at September 30, 2006</u></b>	<b><u>2005</u></b>
<b><u>AIC</u></b>			
Malintra Holdings	Luxembourg	100	100
Afia International Company - Jordan, formerly Savola Jordan Company	Jordan	75	75
Savola Morocco Company	Morocco	75	60
Savola Foods Limited ("SFL") (formerly known as Savola Sime Foods Limited)	Virgin Islands	100	50
Savola Edible Oils (Sudan) Ltd.	Sudan	100	88.65
Inveskz Inc.	Virgin Islands	90	90
Savola Behshahr Company	Iran	49	49
<b><u>SFL</u></b>			
Savola Sime Egypt (SSE)	Egypt	94.5	75
<b><u>SIIC</u></b>			
United Sugar Company (USC)	Saudi Arabia	64.8	64.8
<b><u>USC</u></b>			
United Sugar Company Egypt (USCE)	Egypt	51	51
<b><u>SPS</u></b>			
New Marina for Plastic Industries (NMP)	Egypt	70	--

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. During the 3<sup>rd</sup> quarter of 2005, a minority shareholder of Al-Sharq, commenced legal proceedings against SPS to exercise his right to re-purchase the shares sold by Al-Sharq's majority shareholder to SPS. The litigation is in its preliminary stages and the outcome of the proceedings cannot be estimated at the time of issuance of these interim condensed consolidated financial statements. Pending resolution of the above-mentioned matter, Al-Sharq has not been consolidated in the accompanying interim condensed consolidated financial statements.

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.

**1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS (continued)**

During the second quarter of 2006, SPS invested SR 41.2 million in order to acquire 70% interest in NMP Egypt.

During third quarter of 2006, the Company sold 70% of its ownership interest in a wholly owned subsidiary Modern Marafiq for Real Estate Development (“Marafiq”). Accordingly, Marafiq has been de-consolidated with effect from September 1, 2006 from the accompanying 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 nine months ended September 30, 2006 and 2005 may not represent 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 for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA). The accounting policies adopted by the Company for the preparation of these interim condensed consolidated financial statements are consistent with those used for the preparation of the annual consolidated financial statements. Significant accounting policies adopted by the Company are summarized as follow:

**(a) Basis of preparation**

The interim condensed consolidated financial statements, expressed in thousand of Saudi Arabian Riyals, are prepared under the historical cost basis (except for available-for-sale investments which are stated at their fair values), using the accrual basis of accounting and the going concern concept.



2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) **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 intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these interim condensed consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

(c) **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.

(d) **Inventories**

Inventories are valued at the lower of cost (determined principally by using the weighted average method) and net realizable value. Cost of finished goods and work-in-process includes the cost of raw materials, direct labor and appropriate production overheads. Inventories in transit are valued at cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Investments

#### (i) Investments in associated companies

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The interim condensed consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity basis of accounting, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group's share of profits or losses of the investee companies is credited or charged to the interim consolidated statements of income currently.

#### (ii) Available-for-sale and other equity investments

The Company has less than 20% equity investments in locally listed companies and various companies where the Group does not have any significant influence or control and, accordingly, these are classified as investments available for sale. Those investments which management intends to dispose of within a period of one year are classified as current assets. Other investments are classified in these financial statements under non-current assets. All investments are initially recorded at cost and then re-measured and stated in the balance sheet at their fair values. Fair value is determined by reference to the market value in an open market if exists. In the absence of an exchange market, the cost is considered to be the fair value for these investments. Unrealized gains and losses arising from the fair value adjustment are reported as a separate item under shareholders' equity. On disposal, such unrealized gains or losses are included in the interim consolidated statements of income currently.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Realized gains and losses on sale of investments are taken to the interim consolidated statements of income currently. Dividend income from such investments is recorded when declared.

Permanent diminution in the value of such investments, if any, is charged to the interim consolidated statements of income currently.

### (iii) Investments in unconsolidated subsidiaries

Investments in 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.

### (f) Intangible assets

#### i) Goodwill

Goodwill represents the excess cost of investments over the fair value of the net assets acquired. Until December 31, 2005, this cost was being amortized using the straight-line method over a period not exceeding 20 years. 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, 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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### ii) Deferred charges

Deferred charges mainly 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 Saudi Industrial Development Fund (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.

### iii) Premium on leased land

Premium on leased land represents amount paid by the Group to a third party to acquire the rights to lease the land from a government agency. Such amount is amortized using the straight-line method over the life of leased land or 20 years, whichever is lower.

### (g) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item property, plant and equipment. Land is not depreciated. The estimated useful lives are as follow:

	<u>Years</u>
Buildings	12.5 – 33
Machinery and equipment	3 – 30
Furniture and office equipment	4 – 11
Motor vehicles	4 – 10
Leasehold improvements	3 – 25

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

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

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### (h) **Impairment of assets**

Property, plant and equipment 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.

### (i) **Employees' termination benefits**

Employees' termination benefits, calculated in accordance with labour regulations of the countries of incorporation of the Group member companies, are accrued and charged to interim consolidated statements of income.

### (j) **Revenue recognition**

Revenues are recognized upon delivery or shipment of products or providing services to the customers, and are recorded net of discounts. Revenues also include: (a) rental income which is recognized over the lease terms, and (b) promotional and display income which is recognized as earned.

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

### (k) **Operating leases**

Payments under operating leases are recognized in the interim consolidated statements of income on a straight-line basis over the lease terms.

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### (l) **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.

### (m) **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 consolidated statements of income currently. Additional Zakat and tax payable, if any, on the finalization of the Group's assessments are accounted for when determined.

### (n) **Foreign currency translation**

The Company's books and accounts are maintained in Saudi Arabian Riyals. Transactions denominated in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the entity at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the interim consolidated statements of income currently.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and liabilities of foreign subsidiaries are translated at the exchange rates in effect at the date of the balance sheet. The components of foreign subsidiaries' equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates of 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 interim condensed consolidated financial statements.

### (o) Dividends

Interim dividends are recorded as liability 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.

### (p) 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.

## 3. INVESTMENTS

Investments at September 30 comprise the following:

	<u>2006</u> <u>(Unaudited)</u> (SR 000)	<u>2005</u> <u>(Unaudited)</u> (SR 000)
Investments in associated companies - net	1,521,478	876,755
Other investments	<u>556,330</u>	<u>190,249</u>
Total	<u><u>2,077,808</u></u>	<u><u>1,067,004</u></u>

Investments in associated companies at September 30, 2006 and 2005 mainly represent Company's ownership interests in three associated companies (2005: two), Al-Marai Company Limited ("Al-Marai") 26% (2005: 40%), Egyptian Fertilizer Company ("EFC") 30% (2005: 30%) and Marafiq 30% (see Note 1).

**3. INVESTMENTS (continued)**

Other investments at September 30, 2006 principally comprise of the Company's investments in Al-Sharq of SR 136 million (see Note 1), and 2.9% ownership interest amounting to SR 352.8 million in Emaar the Economic City Company (a joint stock company) formed for the development of King Abdullah Economic City.

**4. SHORT-TERM BORROWINGS**

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

At September 30, 2006, the Group had unutilized revolving bank borrowing facilities of SR 1.9 billion (2005: SR 0.3 billion).

**5. LONG -TERM DEBTS**

Long term debts represent financing from Saudi Industrial Development Fund (SIDF) and other commercial banks for Savola Group Company and its consolidated subsidiaries. Some of these loans are secured by the charge on the property, plant and equipment of certain subsidiaries. The loan agreements include covenants which, among other things, require certain financial ratios to be maintained.

**6. SHARE CAPITAL AND DIVIDENDS DECLARATION**

The Company's share capital of SR 3,000 million at September 30, 2006 (2005 - SR 1,500 million) consists of 300 million fully paid and issued shares of SR 10 each (2005: 30 million shares of SR 50 each).



**6. SHARE CAPITAL AND DIVIDENDS DECLARATION (continued)**

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 1.8 billion (divided into 36 million shares of SR 50 each) and the share premium reserve increased to SR 2,100 million, (net of related expenses of SR 9 million).

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.

The shareholders of the Company, in the annual general assembly meeting held on April 15, 2006, resolved to increase the Company's share capital by issuing two bonus shares for every three shares outstanding as of that date, and approved the payment of final dividends 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). As a result, the share capital increased to SR 3 billion and number of shares increased to 300 million shares. A transfer of SR 1.2 billion from share premium reserve affected such increase in share capital.

The Board of Directors in its meeting held on May 22, 2006, approved the payment of interim dividends amounting to SR 0.25 per share.

Also, the Board of Directors, in its meeting held on July 22, 2006, proposed to increase the Company's share capital by issuing one bonus shares for every four shares outstanding as of that date, and proposed the payment of an interim dividend amounting to SR 93.75 million to the shareholders (representing SR 0.25 per share for the 375 million shares, including the new 75 million bonus shares to be issued). These transactions will be recorded in the Company's financial statements in the 4<sup>th</sup> quarter of 2006 after they are approved by the shareholders in their extra-ordinary general assembly meeting held on October 11, 2006.

## 7. EARNINGS PER SHARE

Earnings per share for the three-month and nine-month periods ended September 30, 2006 have been computed by dividing the net income for such periods by the weighted-average number of ordinary shares outstanding during the nine months ended September 30, 2006 of 299 million shares, including the effect of share split that took place on April 15, 2006 (see Note 6).

Earnings per share for the three-month and nine-month periods ended September 30, 2005 have been computed by dividing the net income for such periods by 285 million shares to give a retroactive effect of the bonus shares issued during the 3<sup>rd</sup> quarter of 2005 and 2<sup>nd</sup> quarter of 2006, the effect of rights issue of 6 million new shares issued during the nine month ended September 30, 2006, and the share split that took place on April 15, 2006.

## 8. SEASONAL CHANGES

Some of the Group's activities are affected by seasonal movements related to the holy months of Ramadan and Shawwal, and Hajj season, which cause sales to increase significantly during those periods. The effect of such period for 2006 and 2005 principally fall in the first and last quarters of the financial year. Accordingly, the results of operation presented in the interim condensed consolidated financial statements for the period may not be a fair indicator of the results of the operation for full year.

## 9. SEGMENTAL INFORMATION

During the nine-month periods ended September 30, 2006 and 2005, 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, 2006 and 2005, and for the nine-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	1,694,393	975,491	17,863	2,687,747
Other non-current assets - net	273,979	607,687	1,376,280	2,257,946
Revenue - net	4,290,934	2,339,850	--	6,630,784
Net income	149,460	63,919	702,176	915,555

## 9. SEGMENTAL INFORMATION (continued)

<u>2005 unaudited</u>	<u>Manufacturing/ wholesale</u>	<u>Retail</u>	<u>Investments and other activities</u>	<u>Total</u>
Fixed assets - net	1,418,780	2,219,773	18,099	3,656,652
Other non-current assets - net	145,637	257,610	842,503	1,245,750
Revenue - net	3,239,330	1,769,534	-	5,008,864
Net income	140,832	64,858	804,324	1,010,014

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of September 30, 2006 and 2005, and for the nine-month periods then ended, summarized by geographic area, is as follows (SR 000's):

<u>2006 unaudited</u>	<u>Saudi Arabia</u>	<u>Egypt</u>	<u>Iran</u>	<u>Other countries</u>	<u>Total</u>
Fixed assets - net	1,862,469	231,584	419,955	173,739	2,687,747
Other non-current assets - net	1,735,474	507,648	14,636	188	2,257,946
Revenue - net	4,538,766	610,629	1,177,105	304,284	6,630,784
Net income (loss)	880,698	6,870	68,390	(40,403)	915,555

<u>2005 unaudited</u>	<u>Saudi Arabia</u>	<u>Egypt</u>	<u>Iran</u>	<u>Other countries</u>	<u>Total</u>
Fixed assets - net	3,035,302	63,801	421,310	136,239	3,656,652
Other non-current assets - net	1,185,880	40,001	7,636	12,233	1,245,750
Revenue - net	3,572,377	385,611	785,452	265,424	5,008,864
Net income (loss)	924,241	56,645	66,167	(37,039)	1,010,014

## 10. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Commitments

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.

**10. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

(b) Contingent liabilities

At September 30, 2006, the Department of Zakat and Income Tax (DZIT) has assessed additional zakat liability of SR 30.6 million (2005: SR 33.8 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 the assessments. Accordingly, no provision for such amount has been made in the accompanying interim condensed consolidated financial statements.

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

**11. BOARD OF DIRECTORS' APPROVAL**

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors.

**12. COMPARATIVE FIGURES**

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