

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

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
For the Three-Month Period Ended March 31, 2007**



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**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 March 31, 2007 and the related interim consolidated statement of income and interim consolidated statement of cash flows for the three-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 period ended March 31, 2006 were reviewed by other auditors whose review report dated April 15, 2006 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 March 31, 2007 and for the three-month period 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.

**For KPMG Al Fozan & Al Sadhan:**

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Tareq Abdulrahman Al Sadhan  
License No. 352

April 17, 2007  
Corresponding to Rabi Al Awal 29, 1428

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

As at March 31, 2007

	<u>Note</u>	<u>2007</u> (Unaudited) (SR 000)	<u>2006</u> (Unaudited) (SR 000)
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents		1,549,308	1,112,078
Investments	3	83,499	--
Accounts receivable		1,277,089	1,186,056
Inventories		1,408,294	1,302,260
Prepayments and other current assets		<u>402,014</u>	<u>378,184</u>
<b>Total current assets</b>		<b>4,720,204</b>	<b>3,978,578</b>
<b>Non-current assets:</b>			
Investments	3	2,497,105	1,509,452
Intangible assets		288,970	165,443
Property, plant and equipment		<u>3,143,059</u>	<u>4,075,209</u>
<b>Total non-current assets</b>		<b>5,929,134</b>	<b>5,750,104</b>
<b>Total assets</b>		<b>10,649,338</b>	<b>9,728,682</b>
		=====	=====
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities:</b>			
Short-term bank debts	4	608,153	595,513
Current portion of long-term debts	5	126,728	146,183
Accounts payable		1,553,490	1,650,915
Accrued expenses and other current liabilities		<u>503,896</u>	<u>397,789</u>
<b>Total current liabilities</b>		<b>2,792,267</b>	<b>2,790,400</b>
<b>Non-current liabilities:</b>			
Long-term payables		64,553	117,331
Long-term debts	5	597,246	590,642
Employees' termination benefits		<u>155,994</u>	<u>129,841</u>
<b>Total non-current liabilities</b>		<b>817,793</b>	<b>837,814</b>
<b>Total liabilities</b>		<b>3,610,060</b>	<b>3,628,214</b>
<b><u>EQUITY</u></b>			
<b>Equity attributable to the Company's shareholders:</b>			
Share capital	6	3,750,000	1,800,000
Statutory reserve		779,708	2,614,849
General reserve		4,000	4,000
Unrealized gains on investments		78,071	--
Foreign currency translation adjustments		(103,318)	(111,587)
Retained earnings		<u>1,735,982</u>	<u>1,073,493</u>
<b>Total shareholders' equity</b>		<b>6,244,443</b>	<b>5,380,755</b>
<b>Minority interests</b>		<u>794,835</u>	<u>719,713</u>
<b>Total equity</b>		<b>7,039,278</b>	<b>6,100,468</b>
<b>Total liabilities and equity</b>		<b>10,649,338</b>	<b>9,728,682</b>
		=====	=====

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 INCOME**

For the three-month period ended March 31, 2007

	<u>Note</u>	<u>2007</u> (Unaudited) (SR 000)	<u>2006</u> (Unaudited) (SR 000)
Revenues – net		2,247,616	1,922,710
Cost of revenues		<u>(1,869,499)</u>	<u>(1,603,781)</u>
Gross profit		378,117	318,929
<b>EXPENSES:</b>			
Selling and marketing		(181,266)	(152,132)
General and administrative		<u>(92,907)</u>	<u>(80,325)</u>
<b>Total expenses</b>		<u>(274,173)</u>	<u>(232,457)</u>
<b>Operating income</b>		103,944	86,472
<b>OTHER (EXPENSES) INCOME:</b>			
Investment related income – net		92,580	85,122
Financial charges - net		<u>(14,978)</u>	<u>8,491</u>
<b>Income before Zakat and income tax and minority interests</b>		181,546	180,085
Zakat and income tax		<u>(23,282)</u>	<u>(9,316)</u>
<b>Net income before minority interests</b>		158,264	170,769
Share of minority interests in the net income of consolidated subsidiaries		<u>(20,804)</u>	<u>(34,969)</u>
<b>Net income</b>		137,460	135,800
Earnings per share (Note 7)		=====	=====
		0.37	0.37
		=====	=====

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**

For the three-month period ended March 31, 2007

	<u>2007</u> (Unaudited) (SR 000)	<u>2006</u> (Unaudited) (SR 000)
<b>Cash flows from operating activities:</b>		
Net income	137,460	135,800
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Investment income – net	(92,580)	(85,121)
Depreciation and amortisation	66,051	55,379
Gain on sale of property, plant and equipment	(27)	--
Share of minority interests in net income of consolidated subsidiaries	20,804	34,969
Changes in operating assets and liabilities:		
Accounts receivable	48,528	(243,181)
Inventories	(70,127)	(180,059)
Prepayments and other current assets	(130,200)	(93,445)
Accounts payable	213,522	443,031
Accrued expenses and other current liabilities	48,187	(51,460)
Employees' termination benefits	10,824	7,525
Total adjustments	<u>114,982</u>	<u>(112,362)</u>
Net cash provided by operating activities	<u>252,442</u>	<u>23,438</u>
<b>Cash flows from investing activities:</b>		
Net change in investments	(285,782)	(122,742)
Addition to intangible assets – net	(12,462)	(17,031)
Addition to property, plant and equipment	<u>(218,374)</u>	<u>(210,639)</u>
Net cash used in investing activities	<u>(516,618)</u>	<u>(350,412)</u>
<b>Cash flows from financing activities:</b>		
Net change in short-term bank debts	(1,094,958)	(830,097)
Net change in long-term debts	32,516	(399,899)
Net changes in minority interests	(17,502)	23,781
Net proceeds from right shares issued	--	2,391,000
Changes in restricted deposit	(19,427)	31,255
Dividends paid	<u>(552)</u>	<u>(10,881)</u>
Net cash (used in) provided by financing activities	<u>(1,099,923)</u>	<u>1,205,159</u>
Net change in cash and cash equivalents	(1,364,099)	878,185
Cash and cash equivalents at beginning of the period	<u>2,820,086</u>	<u>202,448</u>
Cash and cash equivalents at end of the period	<u>1,455,987</u>	<u>1,080,633</u>
	=====	=====
<b>Non cash items:</b>		
Foreign currency translation adjustments	(15)	1,119
Unrealized gains on investments	24,049	(131,677)
Directors' remunerations	600	600

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**

For the three-month period ended March 31, 2007

**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.

At March 31, 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. Also, the Group is involved in real estate related activities:

<u>Directly owned subsidiaries</u>	<u>Country of incorporation</u>	Effective ownership	
		<u>interest (%)</u> <u>2007</u>	<u>2006</u>
<u>Name</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 ("Royah")	Saudi Arabia	--	100
Savola Trading International Limited	British Virgin Islands	100	100
Tayseer FZCO	UAE	100	100
Azizia Panda Trading Company (formerly Al-Azizia Panda Al Qasim Company)	Saudi Arabia	100	100
Al-Azizia Panda United Company ("APUC")	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. ("Herfy")	Saudi Arabia	70	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	63.5	63.5
United Properties Development Company ("UPDC")	Saudi Arabia	70	70
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	100	100
Savola Behshahr Sugar Company ("SBSC")	Iran	49	--

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

**Entities majority owned/controlled through subsidiaries**

	<u>Country of Incorporation</u>	<u>Subsidiary's ownership interest (%)</u>	
		<u>2007</u>	<u>2006</u>
<u>AIC</u>			
Malintra Holdings	Luxembourg	100	100
Afia International Company Jordan	Jordan	75	75
Savola Morocco Company	Morocco	75	60
Savola Foods Limited ("SFL") (formerly known as Savola Sime Foods Limited)	British Virgin Islands	100	100
Savola Edible Oils (Sudan) Ltd.	Sudan	100	89
Inveskz Inc.	British Virgin Islands	90	90
Savola Behshahr Company ("SBcC")	Iran	49	49
Afia International – Algeria	Algeria	100	--
Afia Trading International	British Virgin Islands	100	--
<u>SFL</u>			
Afia International Company (formerly Savola Sime - Egypt)	Egypt	94.5	92
<u>SBcC</u>			
Behshahr Industrial Company	Iran	81.2	81.2
Margarine Management Company	Iran	66.5	53.2
<u>SIIC</u>			
United Sugar Company ("USC")	Saudi Arabia	64.8	64.8
<u>USC</u>			
United Sugar Company Egypt ("USCE") (under development)	Egypt	51	51
<u>SPS</u>			
New Marina for Plastic Industries ("NMP")	Egypt	70	70
Al Sharq Company for Plastic Industries. Ltd. ("Al Sharq")	Saudi Arabia	99	99

During the first quarter of 2007, the Company acquired 49% ownership interest in SBSC, which has been set up for the sugar packaging business. The factory is still under development phase and is expected to commence its commercial activities by the end of year 2007.

## **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 for the year ended December 31, 2006. 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 (SR), 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.

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. These interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2006.

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.



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

### (b) Basis of consolidation

These interim condensed consolidated financial statements include the interim financial statements of the Company and its subsidiaries set forth in Note 1 above. All intra-group balances, 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 the agreement.

### (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 labour and appropriate production overheads. Inventories in transit are valued at cost.

### (e) Investments

#### (i) Investments in associated companies

Associates are those entities in which the Group has significant influence and 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

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

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 statement of income currently.

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

Where the Company has less than 20% ownership interest in locally listed and other companies and these investments are not for trading purposes, and the Group does not have any significant influence or control through an agreement; these are classified as investments available for sale.

Out of the total portfolio of available for sale investments, a portion of investments which management intends to dispose of within a period of one year, are classified as current assets in these financial statements. Other investments are classified 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 the open market if exists. In the absence of an open market, the cost is considered as 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 attributable to equity holders of the Company. Realized gains and losses on sale of investments are taken to the consolidated statement of income currently. Dividend income from such investments is recorded when declared.

### (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 and are accounted for using the equity method.

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

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

### (f) Intangible assets

#### i) Goodwill

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. Goodwill is tested annually for impairment and is carried at cost 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.

#### ii) 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 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.

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

### (g) **Property, plant and equipment**

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

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

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.

### (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 is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its 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 currently.

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

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

Revenues are recognized upon delivery of products or rendering of 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 when 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.

### (l) **Expenses**

Selling, marketing, general and administrative expenses include direct and indirect costs not specifically allowable to cost of revenues under generally accepted accounting principles. Selling and marketing expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses are classified as general and administrative expenses. Allocations of common expenses 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.

(n) **Foreign currency translation**

The Company's books and accounts are maintained in Saudi Arabian Riyals, which is the functional currency for these financial statements. 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 currency 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.

Assets and liabilities of foreign subsidiaries are translated into the functional currency 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 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. At March 31, 2007, the Group has restricted bank deposits amounting to SR 93.3 million (2006: SR 31.4 million).

### 3. INVESTMENTS

Investments at March 31 comprise the following:

	<u>2007</u> (Unaudited) (SR 000)	<u>2006</u> (Unaudited) (SR 000)
Investments in associates - net	1,789,749	925,404
Available for sale (AFS) investments	773,125	372,801
Other investments	<u>17,730</u>	<u>211,247</u>
Total	2,580,604	1,509,452
Less: AFS investments classified under current assets	<u>(83,499)</u>	<u>--</u>
	<u>2,497,105</u>	<u>1,509,452</u>
	=====	=====

Investments in associated companies at March 31, 2007 mainly represent Company's ownership interests in three associated companies (2006 - two), Al-Marai Company Limited ("Al-Marai") 26% (2006: 28%) and Egyptian Fertilizer Company ("EFC") 30% (2006: 30) and Modern Marafiq for Real Estate Development 30%.

AFS investments at March 31, 2007 principally comprise of the Company's 2.9% ownership interest amounting to SR 425 million in Emaar the Economic City (a joint stock company) formed for the development of King Abdullah Economic City (through AAC).

During the year 2007, the Company acquired ownership interest of 10% in Swicorp Joussour Company (under development) and 15% in Swicorp Company, KSA.

### 4. SHORT-TERM BANK DEBTS

Short-term bank debts consist of bank overdrafts, short-term loans and a Murabaha financing arrangement from various commercial banks and financial institutions, and bear financing charges at the prevailing market rates. Some of the short-term debts are secured by corporate guarantees of the Group.

**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 relevant 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 3,750 million at March 31, 2007 (2006: SR 1,800 million) consists of 375 million fully paid and issued shares of SR 10 each (2006: 36 million shares of SR 50 each).

The Company's Board of Directors in its meeting held on January 20, 2007, proposed final dividend of SR 93.75 million (representing SR 0.25 per share) for the year ended December 31, 2006, which is subject to approval by the shareholders in their meeting scheduled to be held on April 18, 2007.

**7. EARNINGS PER SHARE**

Earnings per share for the three-month period ended March 31, 2007 have been computed by dividing the net income for such period by the weighted-average number of ordinary shares outstanding during the three-month period ended March 31, 2007 of 375 million shares.

Earnings per share for the three-month period ended March 31, 2006 have been computed by dividing the net income for such period by weighted average number of ordinary shares outstanding during the three-month period ended March 31, 2006 of 371.25 million shares.

**8. SEASONAL CHANGES**

Some of the Group's activities are affected by seasonal movements related to the holy months of Shawwal and Ramadan, and Hajj season, which cause sales to increase significantly during those periods. The effect of such period for 2007 and 2006 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. SEGMENT INFORMATION

- (a) During the three-month period ended March 31, 2007 and 2006, the principal activities of the Group were 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, 2007 and 2006, and for the three-month period then ended, summarized by segment, is as follows:

<u>2007 (Unaudited)</u>	<u>Manufacturing/ wholesale (SR 000)</u>	<u>Retail (SR 000)</u>	<u>Investments and other activities (SR 000)</u>	<u>Total (SR 000)</u>
Property, plant and equipment - net	2,010,755	1,117,484	14,820	3,143,059
Other non-current assets - net	229,864	83,712	2,472,499	2,786,075
Revenues – net	1,400,867	846,749	--	2,247,616
Net income	29,456	1,411	106,593	137,460
<u>2006 (Unaudited)</u>				
Property, plant and equipment - 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

- (b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of March 31, 2007 and 2006 and for the three-month period then ended, summarized by geographic area, is as follows:

**9. SEGMENT INFORMATION (continued)**

<u>2007 (unaudited)</u>	<u>Saudi Arabia</u> (SR 000)	<u>Egypt</u> (SR 000)	<u>Iran</u> (SR 000)	<u>Other</u> <u>countries</u> (SR 000)	<u>Total</u> (SR 000)
Property, plant and equipment - net	2,093,373	381,377	428,831	239,478	3,143,059
Other non-current assets - net	2,112,509	645,515	8,593	19,458	2,786,075
Revenues - net	1,525,652	180,409	407,092	134,463	2,247,616
Net income (loss)	94,324	43,111	19,465	(19,440)	137,460
<u>2006 (unaudited)</u>					
Property, plant and equipment - 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

**10. COMMITMENTS AND CONTINGENT LIABILITIES**

(a) Commitments

At March 31, 2007, the Company had outstanding commitments of SR 337 million (2006: SR 474 million) for investments principally relating to Swicorp Joussour Company (under development), whose main purpose will be to invest in energy and petrochemical related projects.

(b) Contingent liabilities

At March 31, 2007, the Department of Zakat and Income Tax (DZIT) has assessed additional zakat liability of SR 27 million (2006: 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 the assessments. Accordingly, no provision for such amount has been made in the accompanying interim condensed consolidated financial statements.

**11. BOARD OF DIRECTORS' APPROVAL**

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on April 16, 2007.

**12. COMPARATIVE FIGURES**

Certain amounts in the 2006 interim condensed consolidated financial statements have been reclassified to conform to the 2007 interim condensed consolidated financial statements presentation.