

SAVOLA GROUP COMPANY
(Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

For the Three-Month and Six-Month Periods
Ended June 30, 2008



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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 at June 30, 2008 and the related interim consolidated statements of income and cash flows for the three-month and six-month periods then ended and the attached condensed notes 1 to 13 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with auditing standard on interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review is limited primarily to analytical procedures applied to financial data and making inquiries to the Company's personnel responsible for 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan:

Tareq Abdulrahman Al Sadhan
License No. 352



Jeddah, July 16, 2008G
Corresponding to Rajab 13, 1429H

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at June 30, 2008

	<u>Note</u>	<u>2008</u> (SR 000)	<u>2007</u> (SR 000)
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents		481,718	2,882,604
Investments	3	445,852	125,527
Trade receivables		919,649	1,133,035
Inventories		1,637,322	1,658,714
Prepayments and other current assets		683,639	625,915
Total current assets		4,168,180	6,425,795
Non-current assets:			
Investments	3	4,422,165	1,958,301
Intangible assets		567,601	272,098
Property, plant and equipment		3,959,370	3,433,804
Total non-current assets		8,949,136	5,664,203
Total assets		13,117,316	12,089,998
 <u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Short-term bank debts	4	1,628,206	860,353
Current portion of long-term debts	5	157,355	144,415
Trade payables		1,021,626	1,652,774
Accrued expenses and other current liabilities		1,118,215	1,203,741
Total current liabilities		3,925,402	3,861,283
Non-current liabilities:			
Long-term payables		68,345	63,958
Long-term debts	5	1,017,204	622,879
Employees' termination benefits		177,942	168,066
Total non-current liabilities		1,263,491	854,903
Total liabilities		5,188,893	4,716,186
 <u>EQUITY</u>			
Equity attributable to the Company's shareholders:			
Share capital	6	5,000,000	3,750,000
Statutory reserve		752,710	779,708
General reserve		4,000	4,000
Unrealized gains on investments		339,337	14,287
Foreign currency translation adjustments		(97,779)	(103,221)
Retained earnings		1,298,315	2,124,151
Total shareholders' equity		7,296,583	6,568,925
Minority interests		631,840	804,887
Total equity		7,928,423	7,373,812
Total liabilities and equity		13,117,316	12,089,998

The accompanying notes 1 to 13 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 six-month periods ended June 30, 2008

	Note	Three-month period ended		Six-month period ended	
		June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
		(SR 000)	(SR 000)	(SR 000)	(SR 000)
Revenues – net		3,312,536	2,752,384	6,308,961	5,000,000
Cost of revenues		(2,763,100)	(2,342,196)	(5,277,783)	(4,211,695)
Gross profit		549,436	410,188	1,031,178	788,305
Share of profits of associates and jointly controlled entity and dividend income – net		92,604	80,876	188,914	148,667
Other income – net		22,326	41,823	32,718	50,234
		664,366	532,887	1,252,810	987,206
EXPENSES					
Selling and marketing		(293,033)	(210,511)	(555,451)	(391,777)
General and administrative		(99,050)	(159,782)	(222,793)	(252,689)
		(392,083)	(370,293)	(778,244)	(644,466)
Income from operations		272,283	162,594	474,566	342,740
Gains / (losses) on disposal of investments		57,486	808,021	171,426	832,810
Impairment of assets and project costs written off	7	--	(103,331)	--	(103,331)
Financial charges – net		(29,456)	(6,897)	(55,483)	(30,286)
Income before Zakat & income tax and minority interests		300,313	860,387	590,509	1,041,933
Zakat and income tax		(19,540)	(69,509)	(49, 235)	(92,791)
Net income before minority Interests		280,773	790,878	541,274	949,142
Share of minority interests in the net income of consolidated subsidiaries		(23,084)	(27,109)	(33,103)	(47,913)
Net income		257,689	763,769	508,171	901,229
Earnings per share (SR)	8				
- Income from operations		0.54	0.33	0.95	0.69
- Net income		0.52	1.53	1.02	1.80

The accompanying notes 1 to 13 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 six-month period ended June 30, 2008

	<u>2008</u> (SR 000)	<u>2007</u> (SR 000)
Cash flows from operating activities:		
Net income	508,171	901,229
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains / (losses) on disposal of investments	(171,426)	(832,810)
Depreciation, amortization and impairment	165,403	259,452
Share of minority interests in net income of consolidated Subsidiaries	33,103	47,913
Gain on sale of property, plant & equipment	(2,249)	(391)
Changes in operating assets and liabilities:		
Trade receivables	(256,037)	(99,918)
Inventories	(405,511)	(324,421)
Prepayments and other current assets	(149,645)	(94,774)
Trade payables	239,657	786,846
Accrued expenses and other current liabilities	207,273	85,892
Employees' termination benefits	24,524	22,896
Total adjustments	(314,908)	(149,315)
Net cash provided by operating activities	193,263	751,914
Cash flows from investing activities:		
Net change in investments	187,222	887,441
Net change in intangible assets	(274,540)	(36,859)
Additions to property, plant and equipment	(590,633)	(623,744)
Net cash (used in) provided by investing activities	(677,951)	226,838
Cash flows from financing activities:		
Net change in short-term bank debts	314,536	(842,758)
Net change in long-term debts	584,834	75,836
Net changes in minority interests	(17,039)	(34,559)
Net changes in restricted deposits against financing	(319)	(20,348)
Dividends paid	(250,458)	(188,647)
Net cash provided by (used in) financing activities	631,554	(1,010,476)
Net change in cash and cash equivalents	146,866	(31,724)
Cash and cash equivalents at beginning of period	330,129	2,820,086
Cash and cash equivalents at end of period	476,995	2,788,362
Non cash items:		
Foreign currency translation adjustments	5,697	82
Unrealized gains on available-for-sale investments	(111,592)	(39,735)
Directors' remunerations	1,200	1,200

The accompanying notes 1 to 13 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 six-month periods ended June 30, 2008

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 and invest in related industries, retail outlets, dairy products, fast foods, packing materials, exports and imports, commercial contracting, trade agencies and development of agricultural products.

At June 30, the Company has investments in the following consolidated subsidiaries (collectively described as "the Group"), which are principally engaged in the manufacturing and marketing of vegetable oils, food products, retailing, packaging materials and fast food operations. In addition, the Group is also involved in real estate related investment activities.

<u>Directly owned subsidiaries</u>	<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>	
			<u>2008</u>	<u>2007</u>
	Savola Packaging Systems Limited ("SPS")	Saudi Arabia	100	100
	Utur Packaging Materials Company Limited	Saudi Arabia	100	100
	Savola Trading International Limited	British Virgin Islands	100	100
	Tayseer FZCO	UAE	100	100
	Batool International Trading Company Ltd.	Saudi Arabia	100	100
	Al-Azizia Panda United Company	Saudi Arabia	100	100
	Afia International Company ("AIC")	Saudi Arabia	93	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	100	70
	Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	100	100
	Kamin Al Sharq for Industrial Investments ("Kamin")	Saudi Arabia	100	100
	Arabian Sadouk for Telecommunications Co. ("Sadouk")	Saudi Arabia	100	100
	Al Maoun International Holding Company	Saudi Arabia	100	--
	Savola Foods Emerging Markets Company Limited ("SFEM")	Saudi Arabia	100	--
	Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	100	--
	Afia foods Arabia	Saudi Arabia	100	--
	Savola foods Company	Saudi Arabia	100	--

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

<u>Entities majority owned/controlled through subsidiaries</u>	<u>Country of incorporation</u>	<u>Subsidiary ownership interest (%) at June 30,</u>	
		<u>2008</u>	<u>2007</u>
<u>AIC</u>			
Malintra Holdings	Luxembourg	100	100
Savola Foods Limited ("SFL")	British Virgin Islands	100	100
Afia International Company – Jordan	Jordan	75	75
Inveskz Inc.	British Virgin Islands	90	90
Afia International Company – Algeria (under development)	Algeria	100	100
Afia Trading International	British Virgin Islands	100	100
Savola Food International	British Virgin Islands	100	--
Savola Morocco Company	Morocco	--	75
Savola Edible Oils (Sudan) Ltd.	Sudan	--	100
Savola Behshahr Company ("SBeC") (deconsolidated in 2007)	Iran	--	49
KUGU Gida Yatam Ve Ticaret A.S (KUGU)	Turkey	100	--
<u>SFL</u>			
Afia International Company, Egypt	Egypt	94.5	94.5
<u>Inveskz Inc.</u>			
Turkuaz Edible Oils	Kazakhstan	100	100
<u>KUGU</u>			
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	100	--
<u>SIIC</u>			
United Sugar Company ("USC")	Saudi Arabia	64.8	64.8
<u>USC</u>			
United Sugar Company Egypt ("USCE")	Egypt	53.2	51
<u>SPS</u>			
New Marina for Plastic Industries ("NMP")	Egypt	95	70
Al Sharq Company for Plastic Industries. Ltd. ("Al Sharq")	Saudi Arabia	99	99
<u>SFEM</u>			
Savola Morocco Company	Morocco	100	--
Savola Edible Oils (Sudan) Ltd.	Sudan	100	--
(last year the above company's ownership through AIC)			

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

As per the Group's accounting policy explained in note 2 (b), the Group assesses its control over companies in which the investments have been made. The Company had determined in prior periods that it had such effective control over Savola Behshahr Company Iran ("SBeC"), (49% participation through AIC) due to its ability to exert operational and financial control over the business through its management structure and thus included in the consolidated financial statements of the Savola Group Company. During the third quarter period ended September 30, 2007, the Group re-assessed its control in SBeC and has established that effective control is now shared with the other shareholder of SBeC i.e. SBeC is now a jointly-controlled entity. This is primarily due to changes in the management structure of SBeC and an increased strategic interest of SBeC's other shareholder. Accordingly, the Group no longer consolidates this entity with effect from August 1, 2007. The Company's investment in SBeC is now accounted for on an equity basis of accounting in line with Saudi accounting standards (refer Note 3).

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, 2007.

(a) Basis of preparation

The interim condensed consolidated financial statements 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 are presented in Saudi Arabian Riyals (SR) which is the functional currency. All financial information presented in SR has been rounded to the nearest thousand. 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, 2007.

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. Actual results may differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised and in any future period affected.

(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. Associates and jointly controlled entity are accounted for using the equity method.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date control ceases.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investments

(i) Investments in associates and jointly-controlled companies

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled companies are those where the Group shares effective controls with other shareholders of the company. The interim condensed consolidated financial statements include the Group's share of the total recognized gains and losses of associates and jointly-controlled companies on an equity basis of accounting, from the date that significant influence or joint-control commence until the date that such influence or joint-control cease. The Group's investments also include goodwill identified on acquisition, net of any accumulated impairment losses.

When the Group's share of losses exceeds its interest in an associate or jointly-controlled companies, 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 condensed 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 other companies which are not for trading purposes and 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 interim condensed 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 the open market if exists. In the absence of an open 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 attributable to equity holders of the Company. Realized gains and losses on sale of investments are taken to the interim condensed consolidated statement of income currently. Dividend income from such investments is recorded when declared.

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

(iii) Real estate and other investments

Real estate and other investments are recorded at cost.

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

(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 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.

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 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
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, 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.

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

(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.

(l) **Expenses**

Selling, marketing, general and administrative expenses include direct and indirect costs not specifically allocable to cost of revenues as required 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 and income tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiaries are subject to tax regulations in their countries of incorporation. Zakat & income taxes are charged to the interim consolidated statements of income currently.

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

(n) **Foreign currency translation**

Transactions denominated in foreign currencies are translated to the functional currencies of the Group at the 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 Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the interim consolidated statement of income.

The Company's books and accounts are maintained in Saudi Arabian Riyals. Assets and liabilities of foreign subsidiaries are translated into Saudi Arabian Riyals at the exchange rates in effect at the date of the interim condensed consolidated 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 statement are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi Arabian Riyals are reported as a separate component of equity attributable to shareholders of the Company 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 June 30, comprise the following:

	<u>2008</u> (SR 000) (Unaudited)	<u>2007</u> (SR 000) (Unaudited)
Investments in associates and jointly controlled companies - net	2,409,261	1,305,722
Available for sale (AFS) investments	1,508,764	758,903
Investment in unconsolidated subsidiary	8,804	8,804
Other investments - at cost	<u>941,188</u>	<u>10,399</u>
Total	4,868,017	2,083,828
Less: AFS investment held for short-term period classified under current assets	<u>(445,852)</u>	<u>(125,527)</u>
	<u><u>4,422,165</u></u>	<u><u>1,958,301</u></u>

Investments in associated and jointly controlled companies at June 30, 2008 mainly represent Company's ownership interests in Savola Behshahr Company ("SBeC"), (49% through AIC) (2007: 49%), Al-Marai Company Limited ("Al-Marai") 25.4% (2007: 24%), Kinan International for Real Estate Development Company 30% (2007: 30%) and Intaj Capital Limited 49% (2007: 49%). The quoted market value of company's investment in Al-Marai as at June 30, 2008 is SR 4,597 million (2007: SR 2,377 million).

During the 2nd quarter 2007, the Group disposed off its full ownership interest (30%) in Egyptian Fertilizer Company ("EFC").

Effective from August 1, 2007, SBeC has been de-consolidated and categorised as a jointly controlled entity, which is accounted for using equity basis of accounting in the accompanying interim consolidated financial statements (refer Note 1).

AFS investments at June 30, 2008 principally comprise of the Company's 2.9% ownership interest amounting to SR 562.5 million (2007: SR 369 million) in Emaar the Economic City (a joint stock company) formed for the development of King Abdullah Economic City (through AAC). Also, it includes the ownership interest of 14% in Swicorp Joussour Company (under development) amounting to SR 193 million (2007: SR 93.8 million), 15% in Swicorp Company, Saudi Arabia amounting to SR 116 million (2007: SR 107 million) and 5% in Taameer Jordanian Holding Company amounting to SR 124 million (2007: Nil). The balance mainly represents investments in marketable securities of locally listed companies amounting to SR 446 million (2007: SR 126 million.)

Other investments at June 30, 2008 mainly represent investments in real estate projects in Saudi Arabia.

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. Such debts 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), commercial banks and other financial institutions 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

At June 30, 2008 the Company's share capital of SR 5 billion consists of 500 million fully paid shares of SR 10 each (June 30, 2007: SR 3.75 billion consisting of 375 million fully paid shares of SR 10 each).

The shareholders of the Company in their Annual General Meeting held on March 25, 2008, approved a transfer of SR 150 million from share premium amount and SR 1,100 million from retained earnings in order to increase the share capital from SR 3.75 billion to SR 5.0 billion. In the same meeting, the shareholders also approved final dividend of SR 0.25 per share for the shares outstanding as of the date of the extra-ordinary general meeting.

The Board of Directors in its meeting held on April 19, 2008, approved interim dividends of SR 125 million (representing SR 0.25 per share).

The Board of Directors in its meeting held on July 16, 2008, approved interim dividends of SR 125 million (representing SR 0.25 per share).

7. IMPAIRMENT OF ASSETS AND PROJECT COSTS WRITTEN OFF

Based on the restructuring process as explained in Note 1, management has decided to close the manufacturing facility in Jordan and has evaluated certain local and foreign operations in trading, manufacturing and real estate activities from impairment of assets point of view. Based on the impairment test carried out by management, impairment loss adjustments of SR 103.3 million were charged to statement of income for the period ended June 30, 2007.

8. EARNINGS PER SHARE

Earnings per share for the three-month and six-month periods ended June 30, 2008 have been computed separately by dividing the income from operations and net income for such period by the weighted-average number of ordinary shares outstanding during the three-month and six-month periods ended June 30, 2008 of 500 million shares. Earnings per share for the three-month and six-month periods ended June 30, 2007 have been recomputed after taking the effect of the bonus shares issuance on March 25, 2008.

9. SEASONAL CHANGES

Some of the Group's activities are affected by seasonal movements related to the Holy months of Ramadan, Shawwal and Hajj season, which cause sales to increase significantly during those periods. The effect of such period for 2008 and 2007 principally fall in the last quarters of the financial year. Accordingly, the results of operation presented in the interim condensed consolidated financial statements for the quarter period may not be a fair indicator of the results of the operation for full year.

10. SEGMENTAL INFORMATION

During the three-month and six-month periods ended June 30, 2008 and 2007, 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 June 30, 2008 and 2007, and for the three-month and six-month periods ended, summarized by segment, is as follows:

	Manufacturing/ <u>wholesale</u> (SR 000)	<u>Retail</u> (SR 000)	Investments and other <u>activities</u> (SR 000)	<u>Total</u> (SR 000)
<u>2008 (unaudited)</u>				
Property, plant and equipment – net	2,210,543	967,102	781,725	3,959,370
Other non-current assets - net	813,915	101,953	4,073,898	4,989,766
Revenues – net	3,756,595	2,532,198	20,168	6,308,961
Net income	160,682	56,919	290,570	508,171

10. **SEGMENTAL INFORMATION (continued)**

	<u>Manufacturing/ wholesale</u> (SR 000)	<u>Retail</u> (SR 000)	<u>Investments and other activities</u> (SR 000)	<u>Total</u> (SR 000)
<u>2007 (unaudited)</u>				
Property, plant and equipment – net	2,104,690	677,742	651,372	3,433,804
Other non-current assets - net	210,192	85,904	1,934,303	2,230,399
Revenues – net	3,219,168	1,778,432	2,400	5,000,000
Net income before impairment of assets	54,645	19,049	930,866	1,004,560
Impairment of assets	(85,084)	(8,247)	(10,000)	(103,331)
Net income (loss)	(30,439)	10,802	920,866	901,229

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of June 30, 2008 and 2007, and for the year ended, summarized by geographic area, is as follows:

<u>2008 (unaudited)</u>	<u>Saudi Arabia</u> (SR 000)	<u>Egypt</u> (SR 000)	<u>Iran</u> (SR 000)	<u>Other countries</u> (SR 000)	<u>Total</u> (SR 000)
Property, plant and equipment – net	2,809,088	769,752	--	380,530	3,959,370
Other non-current assets-net	4,360,893	54,473	338,797	235,603	4,989,766
Revenue – net	4,688,296	789,908	--	830,757	6,308,961
Net income (loss)	425,840	(745)	52,820	30,256	508,171

<u>2007 (unaudited)</u>	<u>Saudi Arabia</u> (SR 000)	<u>Egypt</u> (SR 000)	<u>Iran</u> (SR 000)	<u>Other countries</u> (SR 000)	<u>Total</u> (SR 000)
Property, plant and equipment – net	2,357,054	472,143	429,794	174,813	3,433,804
Other non-current assets-net	2,190,059	23,952	8,640	7,748	2,230,399
Revenue – net	3,312,144	414,054	1,049,781	224,021	5,000,000
Net income before impairment of assets	224,068	778,253	35,921	(33,682)	1,004,560
Impairment of assets	(18,247)	--	--	(85,084)	(103,331)
Net income (loss)	205,821	778,253	35,921	(118,766)	901,229

11. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

At June 30, 2008, the Group had outstanding commitments of SR 296 million (2007: SR 337 million) for investments which principally relates to Swicorp Jousour Company (SR 182 million), whose main purpose will be to invest in energy and petrochemical related projects.

Contingent liabilities

At June 30, 2008, the Department of Zakat and Income Tax (DZIT) has assessed additional Zakat liability of SR 59 million (2007: SR 31.7 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.

12. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on July 16, 2008.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.