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

**UNAUDITED INTERIM CONDENSED**
**CONSOLIDATED FINANCIAL STATEMENTS**
For the Three-Month and Nine Month Periods
Ended September 30, 2009

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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 September 30, 2009, the related interim consolidated statement of income for the three-month and nine-month periods then ended, interim consolidated statement of cash flows for the nine-month period 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 on 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

October 18, 2009G
Corresponding to Shawwal 29, 1430H

KPMG Certified Public Accountants
KPMG Al Fozan & Al Sadhan

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

**INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)**
As at September 30, 2009

| | Note | 2009 (SR 000) | 2008 (SR 000) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | | 815,137 | 771,503 |
| Investments | 4 | -- | 363,533 |
| Trade receivables | | 1,685,881 | 1,063,010 |
| Inventories | | 2,476,416 | 2,030,490 |
| Prepayments and other current assets | | 889,834 | 849,238 |
| **Total current assets** | | 5,867,268 | 5,077,774 |
| **Non-current assets:** | | | |
| Investments | 4 | 4,732,564 | 4,445,960 |
| Intangible assets | | 1,233,973 | 611,777 |
| Property, plant and equipment | | 4,999,246 | 4,162,161 |
| **Total non-current assets** | | 10,965,783 | 9,219,898 |
| **Total assets** | | 16,833,051 | 14,297,672 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities:** | | | |
| Short-term bank debts | 5 | 1,839,518 | 2,755,348 |
| Current portion of long-term debts | 6 | 551,500 | 126,168 |
| Trade payables | | 2,113,041 | 1,334,811 |
| Accrued expenses and other current liabilities | | 1,542,250 | 1,162,967 |
| **Total current liabilities** | | 6,046,309 | 5,379,294 |
| **Non-current liabilities:** | | | |
| Long-term payables | | 70,200 | 68,308 |
| Long-term debts | 6 | 2,428,445 | 1,082,465 |
| Employees' termination benefits | | 252,341 | 188,946 |
| **Total non-current liabilities** | | 2,750,986 | 1,339,719 |
| **Total liabilities** | | 8,797,295 | 6,719,013 |
| **EQUITY** | | | |
| **Equity attributable to the Company's shareholders:** | | | |
| Share capital | 7 | 5,000,000 | 5,000,000 |
| Statutory reserve | | 772,945 | 752,710 |
| General reserve | | 4,000 | 4,000 |
| Unrealized (loss) on investments | | (3,224) | (71,334) |
| Foreign currency translation account | | (196,901) | (95,967) |
| Retained earnings | | 1,119,016 | 1,330,750 |
| **Total shareholders' equity** | | 6,695,836 | 6,920,159 |
| **Minority interests** | | 1,339,920 | 658,500 |
| **Total equity** | | 8,035,756 | 7,578,659 |
| **Total liabilities and equity** | | 16,833,051 | 14,297,672 |

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 Nine-month periods ended September 30, 2009

| | Note | **Three-month period ended** | | **Nine-month period ended** | |
|---|---|---|---|---|---|
| | | **September 30, 2009 (SR 000)** | September 30, 2008 (SR 000) | **September 30, 2009 (SR 000)** | September 30, 2008 (SR 000) |
| Revenues – net | | 5,103,674 | 3,919,413 | 13,095,516 | 10,228,374 |
| Cost of revenues | | (4,200,759) | (3,408,285) | (10,755,362) | (8,686,067) |
| Gross profit | | 902,915 | 511,128 | 2,340,154 | 1,542,307 |
| Share of profits (loss) of associates and jointly controlled entity and dividend income – net | | 97,510 | 100,961 | 304,798 | 289,875 |
| Other income – net | | 21,649 | 23,436 | 61,819 | 58,465 |
| | | 1,022,074 | 635,525 | 2,706,771 | 1,890,647 |
| **EXPENSES** | | | | | |
| Selling and marketing | | (442,806) | (285,128) | (1,209,398) | (840,579) |
| General and administrative | | (130,683) | (108,634) | (395,268) | (331,428) |
| **Total expenses** | | (573,489) | (393,762) | (1,604,666) | (1,172,007) |
| **Income from operations** | | 448,585 | 241,763 | 1,102,105 | 718,640 |
| Gain on disposal of investments | 4.1.2 | -- | 11,891 | 100,968 | 183,317 |
| Impairment loss on AFS investment | 4.2.1 | -- | -- | (74,241) | -- |
| Financial charges – net | | (49,253) | (49,789) | (169,010) | (107,583) |
| **Income before Zakat and income tax and minority interests** | | 399,332 | 203,865 | 959,822 | 794,374 |
| Zakat and income tax | | (49,547) | (16,949) | (84,865) | (66,184) |
| **Net income before minority interests** | | 349,785 | 186,916 | 874,957 | 728,190 |
| Share of minority interests in the net income of consolidated subsidiaries | | (71,892) | (28,881) | (192,011) | (61,984) |
| **Net income** | | 277,893 | 158,035 | 682,946 | 666,206 |
| **Earnings per share (SR)** | 8 | | | | |
| - Income from operations | | 0.90 | 0.49 | 2.20 | 1.44 |
| - Net income | | 0.56 | 0.32 | 1.37 | 1.33 |

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 nine-month period ended September 30, 2009

| | **2009 (SR 000)** | 2008 (SR 000) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | 682,946 | 666,206 |
| Adjustments to reconcile net income to net cash provided by Operating activities: | | |
| Depreciation, amortization and impairment | 421,553 | 244,539 |
| Share of minority interests in net income of consolidated subsidiaries | 192,011 | 61,984 |
| (Gains) on disposal of investments | (100,968) | (183,317) |
| (Gain) on sale of property, plant and equipment | (4,232) | (863) |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (186,544) | (399,398) |
| Inventories | 52,400 | (798,679) |
| Prepayments and other current assets | (21,091) | (315,244) |
| Trade payables | 492,123 | 552,842 |
| Accrued expenses and other current liabilities | 20,234 | 251,425 |
| Employees' termination benefits | 13,469 | 35,528 |
| Financial charges | 169,010 | 107,583 |
| Total adjustments | 1,047,965 | (443,600) |
| Net cash provided by operating activities | 1,730,911 | 222,606 |
| **Cash flows from investing activities:** | | |
| Net change in investments | (132,369) | (153,034) |
| Net change in intangible assets | (96,506) | (314,463) |
| Additions to property, plant and equipment | (810,457) | (876,387) |
| Net cash used in investing activities | (1,039,332) | (1,343,884) |
| **Cash flows from financing activities:** | | |
| Net change in short-term bank debts | (1,959,431) | 1,441,678 |
| Net change in long-term debts | 1,705,430 | 618,908 |
| Net changes in minority interests | 320,518 | (19,260) |
| Financial charges | (169,010) | (107,583) |
| Net changes in restricted deposits against financing | -- | (348) |
| Dividends paid | (378,833) | (375,495) |
| Net cash (used in) provided by financing activities | (481,326) | 1,557,900 |
| Net change in cash and cash equivalents | 210,253 | 436,622 |
| Cash and cash equivalents at beginning of period | 604,884 | 330,129 |
| Cash and cash equivalents at end of period | 815,137 | 766,751 |
| **Non cash items:** | | |
| Foreign currency translation adjustments | (35,974) | 3,885 |
| Unrealized gains / (loss) on investments | 124,029 | (522,263) |
| Directors' remunerations | 3,000 | 1,800 |

The accompanying notes 1 to 13 form an integral part
of these interim condensed consolidated financial statements.

## 1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS

Savola Group Company (the "Company"), a Saudi joint stock company, was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978). The Company's commercial registration number 4030019708 was issued in Jeddah on Rajab 21, 1399H (September 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, fast foods, packing materials, exports and imports, commercial contracting, trade agencies and development of agricultural products.

At September 30, the Company has investments in the following 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.

| Directly and indirect subsidiaries | Country of incorporation | Ownership interest (%) at September 30 2009 | 2008 |
|---|---|---|---|
| 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 Limited | Saudi Arabia | 100 | 100 |
| Al-Azizia Panda United Company | Saudi Arabia | 80 | 100 |
| Savola Foods Company (“SFC”) | Saudi Arabia | 90 | 100 |
| Afia International Company ("AIC") | Saudi Arabia | -- | 93.95 |
| Herfy Food Services Company Ltd. ("Herfy") | Saudi Arabia | 70 | 70 |
| Savola Industrial Investments Co. ("SIIC") | Saudi Arabia | 4.5 | 63.5 |
| United Properties Development Company ("UPDC") | Saudi Arabia | 100 | 100 |
| 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 | 100 |
| Savola Foods Emerging Markets Company Limited (“SFEM”) | Saudi Arabia | -- | 100 |
| Al Matoun International for Real Estate Investment Holding Company | Saudi Arabia | 100 | 100 |
| AFIA Foods Arabia | Saudi Arabia | 100 | 100 |
| United Sugar Company, Egypt | Egypt | 18.9 | 18.6 |
| Giant Stores Trading Company | Saudi Arabia | 8 | -- |

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

| **Entities controlled through subsidiaries** | Country of incorporation | **Subsidiary ownership interest (%) At September 30, 2009** | **2008** |
|---|---|---|---|
| SFC | | | |
| Afia International Company ("AIC") | Saudi Arabia | 95.19 | -- |
| Savola Industrial Investment Company ("SIIC") | Saudi Arabia | 95 | -- |
| Savola Foods Emerging Markets Company Limited ("SFEM") | British Virgin Islands | 95 | -- |
| (last year the above companies' ownership directly by Savola Group Company) | | | |
| AIC | | | |
| Savola Behshahr Company (SBeC) | Iran | 80 | -- |
| Malintra Holdings | Luxembourg | 100 | 100 |
| Savola Foods Limited ("SFL") | British Virgin Islands | 100 | 100 |
| Afia International Company – Jordan | Jordan | 97.4 | 75 |
| Inveskz Inc. | British Virgin Islands | 90 | 90 |
| Afia International Company – Algeria | Algeria | -- | 100 |
| Afia Trading International | British Virgin Islands | 100 | 100 |
| Savola Food International | British Virgin Islands | 100 | 100 |
| KUGU Gida Yatum Ve Ticaret A.S (KUGU) | Turkey | 100 | 100 |
| SFL | | | |
| Afia International Company, Egypt | Egypt | 99.84 | 94.5 |
| Inveskz Inc. | | | |
| Turkuaz Edible Oils | Kazakhstan | 100 | 100 |
| KUGU | | | |
| Yudum Gida Sanayi ve Ticaret A.S ("Yudum") | Turkey | 100 | 100 |
| SIIC | | | |
| United Sugar Company ("USC") | Saudi Arabia | 64.8 | 64.8 |
| USC | | | |
| United Sugar Company Egypt ("USCE") | Egypt | 53.45 | 53.2 |
| SFEM | | | |
| Savola Morocco Company | Morocco | 100 | 100 |
| Savola Edible Oils (Sudan) Ltd. | Sudan | 100 | 100 |
| AFIA International Company – Algeria | Algeria | 100 | -- |
| (last year the above company ownership through AIC) | | | |
| SPS | | | |
| New Marina for Plastic Industries | Egypt | 100 | 95 |
| Al Sharq Company for Plastic Industries. Ltd. | Saudi Arabia | 99 | 99 |
| APU | | | |
| Giant Stores Trading Company | Saudi Arabia | 90 | -- |

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

The Group subsidiary, Afia International Company acquired additional 31% stake in SBeC, an existing jointly-controlled entity, from BIDC through a Share Purchase Agreement (the "SPA") during the second quarter of 2008 after which its ownership interest in SBeC has increased from 49% to 80%. Upon completion of all conditions precedents for this share transfer; effective April 1, 2009 the group started to consolidate SBeC in its consolidated financial statements.

During last quarter of 2008, the Group acquired controlling interest in Giant stores Trading Company Saudi Arabia. Certain other changes in Group operating structures have also been made to combine synergies of the Group's sugar and edible oil business. In addition to this restructuring, the Group also entered into certain acquisition transactions with Al Muhadib Holding Company (Minority shareholder of SIIC) which has resulted in a net change in the effective ownership of the combined Foods and retail businesses.

During the second quarter of 2009, the group formed Akwan, (a 62% effectively owned Special Purpose Vehicle) and Bawareq, (a 37.7% effectively owned jointly controlled entity) with other partners for the purpose of carrying out a real estate project. (See also Note 4.1.2)

On June 03, 2009 the Group entered into an agreement with A. K. Al Muhadib & Sons Company ("Al Muhadib"), to acquire certain real estate properties currently utilized by Group's retail business, APU. The Group acquired these assets through its wholly owned subsidiary, Al Matoun International for Real Estate Investment Holding Company for SR 336 million and in exchange paid SR 97 million in cash and issued 20% stake in the acquiring company to Al Muhadib. The transaction was closed during the current interim period.

On September 16, 2009, the Group's subsidiary, Azizia Panda Unit ("APU") has entered into an agreement with Saudi Géant Company Limited to acquire certain asset and assume certain liabilities of the Géant chain of Hypermarkets in Saudi Arabia for a total consideration of SR 260.5 million in cash and 7% stake in the share capital of APU.  As of the balance sheet date, certain legal formalities were pending completion and certain conditions precedents were not fulfilled; the acquisition therefore has not been effected in these interim condensed consolidated financial statements.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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).

These interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended December 31, 2008.

### (b) Basis of measurement

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.

### (c) Functional and presentation currency

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.

### (d) Critical accounting judgements and estimates

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group 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 for the preparation of these interim condensed financials statements are as follows:

### (a) 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.

### (b) Foreign currency translation

The interim condensed consolidated financial statements are reported into Saudi Riyals, which is the Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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 consolidated statement of income currently.

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

Assets and liabilities of foreign consolidated subsidiaries are translated into Saudi Arabian Riyals at the exchange rates in effect at the date of the consolidated balance sheet. The components of foreign subsidiaries with the exception of retained earnings of subsidiaries, 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 (foreign currency translation account) attributable to shareholders of the Company in the interim condensed consolidated financial statements.

Any goodwill arising on the acquisition of foreign subsidiaries and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate at the balance sheet date.

### (c) Trade receivables

Trade receivables are carried at original invoice 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.

### (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 investee company.

The Group's investments in its associate and jointly controlled companies are accounted for using the equity method of accounting from the date that significant influence or joint-control commence until the date that such influence or joint-control cease. Under the equity method, the investment in the associate and jointly controlled entity are carried in the balance sheet at cost (including goodwill paid on acquisition, net of any impairment losses), plus post-acquisition changes in the Group’s share of net assets of the investee company. The Group’s consolidated share of the results of operations of the associate and jointly controlled entities. Where there has been a change recognised directly in the equity of the associate or jointly controlled company, the Group recognises its share of such changes in its consolidated statement of changes in shareholders’ equity.

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.

*(ii)* *Available-for-sale investments*

Investments which are not held for trading purposes and where the Group does not have significant influence or control, are classified as investments available for sale. These primarily include Group’s investment of less than 20% in certain locally listed and unlisted companies.

These investments are initially recorded at cost and then re-measured and stated in the consolidated 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 and reliable estimate of the fair value cannot be established by other means the cost is considered to be the fair value for those investments. Any gain or loss arising from a change in their fair value is reported as a separate item under shareholders’ equity until the investments are derecognized or impaired. On de-recognition, cumulative gains or losses previously recognized in shareholders’ equity are included in the consolidated statement of income. On impairment, the difference between cost and fair value is included in the consolidated statement of income as Impairment of assets. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of income. Dividend income from such investments is recorded when declared.
A portion of these 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.

*(iii)* *Other investments*

These include Group’s investment in Real estate projects which are under development. These are carried at cost.

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

### (f) Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

The excess of the cost of the business combination over the Group's share in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities is classified as Goodwill.

### (g) 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. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units.

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 costs*

Deferred costs 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.

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

### (h) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss (if any). 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:

| | Years |
|---|---|
| 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.

### (i) Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

### (j) 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.

### (k) 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.

## 3. 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. 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) Operating leases

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

### (n) 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.

### (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.

### (q) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

### (r) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on Group's management and internal reporting structure.

## 4. INVESTMENTS

Investments at September 30, comprise the following:

| | **2009 (SR 000) (Unaudited)** | 2008 (SR 000) (Unaudited) |
|---|---|---|
| Investments in associates and jointly controlled companies - net (4.1) | 3,055,206 | 2,552,476 |
| Available for sale (AFS) investments (4.2) | 865,844 | 1,303,825 |
| Investment in unconsolidated subsidiary | 8,804 | 8,804 |
| Other investments - at cost (4.3) | 802,710 | 944,388 |
| Total | 4,732,564 | 4,809,493 |
| Less: AFS investment held for short-term period classified under current assets | -- | (363,533) |
| | 4,732,564 | 4,445,960 |

### 4.1 Investment in Associates and Jointly-controlled companies

| | Effective Ownership interest (%) | | 2009 SR (000) | 2008 SR (000) |
|---|---|---|---|---|
| | **2009** | 2008 | **(Unaudited)** | (Unaudited) |
| Al Marai Company Ltd. – Saudi Arabia | 28 | 25.4 | 1,597,684 | 1,100,506 |
| Kinan International for Real Estate Development Company | 30 | 30 | 549,180 | 530,086 |
| Intaj Capital Limited – British Virgin Islands | 49 | 49 | 416,590 | 424,308 |
| Savola Behshahr Company Iran ("SBeC") | 80 | 49 | -- | 332,935 |
| Real Estate Project (4.1.2) | -- | -- | 234,684 | -- |
| Alexandria Sugar Company | 45.5 | -- | 76,192 | -- |
| Emerge Investment Ltd | 20 | 20 | 23,233 | 18,755 |
| Al-Seara City Company For Real Estate Development | 40 | 40 | 134,800 | 134,800 |
| Knowledge Economic City Development Company | 40 | 40 | 13,200 | 13,200 |
| Kinan Arabia for Real Estate | 20 | -- | 10,000 | -- |
| Others | Various | Various | 8,738 | 6,981 |
| Total | | | 3,064,301 | 2,561,571 |
| Provision for permanent diminution in value of investments in associates | | | (9,095) | (9,095) |
| | | | 3,055,206 | 2,552,476 |

## 4. INVESTMENTS (continued)

4.1.1 As explained in Note 1, AIC acquired an additional 31% stake in SBeC and effective April 1, 2009 its results and balances are consolidated in these interim condensed consolidated financial statements.

Following is a summary of the financial information of SBeC at the date of acquisition March 31, 2009 and as at the balance sheet date September 30, 2009:

| | **March 31, 2009 (SR 000) (Unaudited)** | September 30, 2009 (SR 000) (Unaudited) |
|---|---|---|
| Total current assets | 1,341,235 | 1,371,722 |
| Total non-current assets | 283,079 | 290,665 |
| **Total assets** | **1,624,314** | **1,662,387** |
| Total current liabilities | 1,205,659 | 995,589 |
| Total non-current liabilities | 33,938 | 33,816 |
| **Total liabilities** | **1,239,597** | **1,029,405** |
| **SBeC minority interest** | **79,876** | **113,402** |
| **Total SBeC equity** | **304,841** | **519,580** |
| **Total Liabilities and equity** | **1,624,314** | **1,662,387** |

The Group has currently recognized assets and liabilities of SBeC at their carrying value at the date of acquisition and adjusted with the transactions for the period ended 30 September 2009. In line with the requirements of generally accepted accounting principles and group policies (See Note 3f); the study for the fair valuation of business and purchase price allocation is currently underway. Any change in the carrying value of consolidated balances will be reflected in the group's annual financial statements for the year ending December 31, 2009.

4.1.2 During second quarter, the Parent Company transferred its investments in a plot of land carried at cost (included as other investments in the comparative period) to a 62% owned SPV (Akwan). Akwan subsequently disposed this land to a 37.7% jointly controlled entity (Bawareq) at fair value. This has resulted in the Group realising a net capital gain of SR 85.8 million from disposal of land to the partners in the jointly controlled entity.

The Group expects to receive shares in Bawareq as consideration for disposal of this property (to Bawareq) with a face value equivalent to the fair value of the land transferred amounting to SR 231.5 million. Therefore, this amount is reflected as part of investment in associate in these consolidated financial statements.

## 4. INVESTMENTS (continued)

### 4.2 Available for sale (AFS) investments

AFS investments at September 30, 2009 principally comprise of the Company's 2.4% ownership interest amounting to SR 209 million (2008: SR 365 million 2.9%) 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 amounting to SR 209 million (2008: SR 286 million), 15% in Swicorp Company, Saudi Arabia amounting to SR 116 million (2008: SR 116 million), 6.4% in Knowledge Economic City amounting to SR 217 million (2008: Nil) and 5% in Taameer Jordanian Holding Company amounting to SR 37 million (2008: SR 102 million).

4.2.1 During the second quarter, the Group has re-assessed the fair valuation of investments available for sale in Emaar and made an impairment loss adjustment of SR 74 million which was charged to consolidated statement of income

4.2.2 On May 20, 2009, the Group's signed an agreement to dispose of its interest in Azizia Commercial Investment Company (ACI) carried at cost of SR 47 million against a total consideration of cash amounting to SR 80.85 million and certain shares of another unlisted company. As of the balance sheet date the Group received the cash consideration; the transfer of shares is still due, which is one of the condition precedents for this disposal. As such, the transfer as well as the resulting gain has not been accounted in these interim condensed consolidated financial statements. The cash consideration received is recorded under other current liabilities.

### 4.3 Other investments

Other investments at September 30, 2009 mainly represent investments in real estate projects in Saudi Arabia.

## 5. SHORT-TERM BANK DEBTS

Short-term bank debts consist of bank overdrafts, short-term loans and Murabaha financing arrangements 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.

## 6. 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.

## 7. SHARE CAPITAL AND DIVIDENDS DECLARATION

At September 30, 2009, the Company's share capital of SR 5 billion consists of 500 million fully paid shares of SR 10 each (September 30, 2008: SR 5 billion consisting of 500 million fully paid shares of SR 10 each).

The shareholders in their Annual General Meeting held on April 19, 2009, approved final dividends for 2008 of SR 125 million (representing SR 0.25 per share).

The Board of Directors in its meeting held on April 19, 2009, approved interim dividends of SR 125 million (representing SR 0.25 per share).

The Board of Directors in its meeting held on July 18, 2009, approved interim dividends of SR 125 million (representing SR 0.25 per share).

The Board of Directors in its meeting held on October 17, 2009, approved interim dividends of SR 125 million (representing SR 0.25 per share).

## 8. EARNINGS PER SHARE

Earnings per share for the three-month and nine-month periods ended September 30, 2009 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 nine-month periods ended September 30, 2009 of 500 million shares. Earnings per share for the three-month and nine-month periods ended September 30, 2008 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 2009 and 2008 principally fall in third and fourth 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 nine-month period ended September 30, 2009 and 2008, 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, 2009 and 2008, and for the nine month on those dates, summarized by segment, is as follows:

| | Manufacturing/ wholesale (SR 000) | Retail (SR 000) | Investments and other activities (SR 000) | Total (SR 000) |
|---|---|---|---|---|
| 2009 (unaudited) | | | | |
| Property, plant and equipment – net | 2,480,653 | 2,512,972 | 5,621 | 4,999,246 |
| Other non-current assets - net | 1,062,872 | 89,671 | 4,813,994 | 5,966,537 |
| Revenues – net | 7,255,946 | 5,839,570 | -- | 13,095,516 |
| Net income | 425,224 | 168,924 | 88,798 | 682,946 |

| | Manufacturing/ wholesale (SR 000) | Retail (SR 000) | Investments and other activities (SR 000) | Total (SR 000) |
|---|---|---|---|---|
| 2008 (unaudited) | | | | |
| Property, plant and equipment – net | 2,249,892 | 955,510 | 956,759 | 4,162,161 |
| Other non-current assets - net | 831,797 | 116,141 | 4,109,799 | 5,057,737 |
| Revenues – net | 6,051,468 | 4,146,659 | 30,247 | 10,228,374 |
| Net income | 267,013 | 103,145 | 296,048 | 666,206 |

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of September 30, 2009 and 2008, and for the nine months on those dates, summarized by geographic area, is as follows:

| 2009 (unaudited) | Saudi Arabia (SR 000) | Egypt (SR 000) | Iran (SR 000) | Other countries (SR 000) | Total (SR 000) |
|---|---|---|---|---|---|
| Property, plant and equipment – net | 3,576,187 | 779,201 | 291,515 | 352,343 | 4,999,246 |
| Other non-current assets-net | 5,278,539 | 114,652 | 390,160 | 183,186 | 5,966,537 |
| Revenue – net | 9,180,593 | 1,554,537 | 1,211,355 | 1,149,031 | 13,095,516 |
| Net income | 527,128 | 42,451 | 111,961 | 1,406 | 682,946 |

## 10. SEGMENTAL INFORMATION (continued)

| 2008 (unaudited) | Saudi Arabia (SR 000) | Egypt (SR 000) | Iran (SR 000) | Other countries (SR 000) | Total (SR 000) |
|---|---|---|---|---|---|
| Property, plant and equipment – net | 2,979,897 | 775,593 | -- | 406,671 | 4,162,161 |
| Other non-current assets-net | 4,462,468 | 23,652 | 332,935 | 238,682 | 5,057,737 |
| Revenue – net | 7,573,638 | 1,367,821 | -- | 1,286,915 | 10,228,374 |
| Net income | 530,676 | 38,707 | 82,547 | 14,276 | 666,206 |

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

At September 30, 2009, the Group had outstanding commitments of SR 434 million (2008: SR 230 million) for investments.

Contingent liabilities

At September 30, 2009, the Department of Zakat and Income Tax (DZIT) has assessed additional Zakat liability of SR 45 million (2008: SR 45 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. SUBSEQUENT EVENTS

On October 12, 2009 the Group’s subsidiary, Azizia Panda Unit (“APU”) paid SR 248.6 million as a net cash consideration against its acquisition of Saudi Géant Company Limited (Note 1) after receiving Council of Competition Protection approval and completion of other condition precedents.

## 13. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on October 17, 2009.