SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three-month and six-month periods ended
June 30, 2010

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LIMITED REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Shareholders
Savola Group Company
Jeddah, Saudi Arabia

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of Savola Group Company (the Company) and its subsidiaries (the Group) as at June 30, 2010, the related interim consolidated statement of income for the three-month and six-month periods then ended, the interim consolidated statement of cash flows for six months period then ended and the attached condensed notes 1 to 12 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our limited review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted 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.

Conclusion

Based on our limited 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

July 18, 2010
Corresponding to Shabaan 6,1431H

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at June 30, 2010

	Note	**2010** **(SR 000)**	2009 (SR 000)
ASSETS			
Current assets:			
Cash and cash equivalents		**589,736**	660,757
Trade receivables		**1,563,198**	1,596,329
Inventories		**2,379,628**	2,370,294
Prepayments and other current assets		**1,228,021**	992,673
Total current assets		**5,760,583**	5,620,053
Non-current assets:			
Investments	4	**5,942,260**	4,589,353
Intangible assets		**1,107,784**	1,257,616
Property, plant and equipment		**5,067,471**	4,609,646
Total non-current assets		**12,117,515**	10,456,615
Total assets		**17,878,098**	16,076,668
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term bank debts	5	**1,394,199**	1,872,358
Current portion of long-term debts	6	**807,635**	317,268
Trade payables		**2,031,899**	1,824,055
Accrued expenses and other current liabilities		**1,413,100**	1,431,527
Total current liabilities		**5,646,833**	5,445,208
Non-current liabilities:			
Deferred gain		**96,051**	32,265
Long-term payables		**59,982**	74,233
Long-term debts	6	**3,213,578**	2,720,763
Employees' termination benefits		**269,149**	244,044
Total non-current liabilities		**3,638,760**	3,071,305
Total liabilities		**9,285,593**	8,516,513
EQUITY			
Equity attributable to the Company's shareholders:			
Share capital	7	**5,000,000**	5,000,000
Statutory reserve		**868,102**	772,945
General reserve		**4,000**	4,000
Unrealized (loss) on investments		**(80,158)**	(717)
Foreign currency translation account		**(204,670)**	(191,956)
Retained earnings		**1,529,572**	978,807
Total shareholders' equity		**7,116,846**	6,563,079
Minority interests		**1,475,659**	997,076
Total equity		**8,592,505**	7,560,155
Total liabilities and equity		**17,878,098**	16,076,668

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 (UNAUDITED)
For the three-month and six-month periods ended June 30, 2010

	Note	Three-month period ended June 30, 2010 (SR 000)	Three-month period ended June 30, 2009 (SR 000)	Six-month period ended June 30, 2010 (SR 000)	Six-month period ended June 30, 2009 (SR 000)
Revenues – net		**4,868,065**	4,356,799	**9,632,511**	7,991,842
Cost of revenues		**(4,158,245)**	(3,580,469)	**(8,132,494)**	(6,599,190)
Gross profit		**709,820**	776,330	**1,500,017**	1,392,652
Share of profits of associates and jointly controlled entity and dividend income – net		**121,260**	100,413	**215,101**	207,288
Other income – net		**38,111**	62,817	**112,431**	84,757
Total income		**869,191**	939,560	**1,827,549**	1,684,697
EXPENSES					
Selling and marketing		**(454,648)**	(424,101)	**(909,748)**	(766,592)
General and administrative		**(119,323)**	(140,527)	**(291,455)**	(264,585)
Total expenses		**(573,971)**	(564,628)	**(1,201,203)**	(1,031,177)
Income from operations		**295,220**	374,932	**626,346**	653,520
(Loss) gain on disposal of investments		**(1,210)**	85,481	**195,056**	100,968
Impairment loss on AFS investments		**--**	(74,241)	**--**	(74,241)
Financial charges – net		**(46,382)**	(67,862)	**(94,211)**	(119,757)
Income before Zakat and income tax and minority interests		**247,628**	318,310	**727,191**	560,490
Zakat and income tax		**(20,737)**	(21,214)	**(49,297)**	(35,318)
Net income before minority Interests		**226,891**	297,096	**677,894**	525,172
Share of minority interests in the net income of consolidated subsidiaries		**(19,239)**	(84,594)	**(76,200)**	(120,119)
Net income		**207,652**	212,502	**601,694**	405,053
Earnings per share (SR)	8				
- Income from operations		**0.59**	0.75	**1.25**	1.31
- Net income		**0.42**	0.43	**1.20**	0.81

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month periods ended June 30, 2010

	2010 (SR 000)	2009 (SR 000)
Cash flows from operating activities:		
Net income	**601,694**	405,053
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortisation and impairment	**306,665**	300,272
(Gain) on sale of property, plant and equipment	**(4,019)**	(3,304)
(Gain) on disposal of investments	**(195,056)**	(100,968)
Financial charges	**94,211**	119,757
Share of minority interests in net income of consolidated subsidiaries	**76,200**	120,119
Changes in operating assets and liabilities:		
Trade receivables	**(163,276)**	(96,992)
Inventories	**(126,004)**	158,522
Prepayments and other current assets	**(409,801)**	(115,126)
Trade payables	**223,046**	203,137
Accrued expenses and other current liabilities	**(16,965)**	(56,424)
Employees' termination benefits	**26,863**	5,172
Total adjustments	**(188,136)**	534,165
Net cash provided by operating activities	**413,558**	939,218
Cash flows from investing activities:		
Effect of deconsolidation of Herfy	**(20,062)**	--
Net change in investments	**(457,293)**	4,545
Net change in intangible assets	**(6,767)**	(99,329)
Net addition to property, plant and equipment	**(302,754)**	(305,495)
Net cash (used in) investing activities	**(786,876)**	(400,279)
Cash flows from financing activities:		
Net change in short-term debts	**(832,982)**	(1,926,591)
Net change in long-term debts	**1,248,061**	1,763,516
Net change in minority interests	**(72,809)**	49,566
Financial charges	**(94,211)**	(119,757)
Changes in restricted deposits	**48,556**	--
Dividend paid	**(376,049)**	(249,800)
Net cash (used in) financing activities	**(79,434)**	(483,066)
Net change in cash and cash equivalents	**(452,752)**	55,873
Cash and cash equivalents at beginning of the period	**1,001,185**	604,884
Cash and cash equivalents at end of the period	**548,433**	660,757
Non cash items:		
Foreign currency translation adjustments	**(10,818)**	(31,029)
Unrealized (loss) gain on available-for-sale investments	**(58,557)**	127,970
Directors' remunerations	**1,100**	1,200

The accompanying notes 1 to 12 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 (June 16, 1979). The objectives of the Company along with its subsidiaries 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, development of agricultural products and real estate related investment activities

At June 30, the Company has investments in the following subsidiaries (collectively referred as "the Group").

Directly and indirect subsidiaries	Country of incorporation	Ownership interest (%) at June 30 **2010**	2009
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 ("APU")	Saudi Arabia	**74.4**	80
Savola Foods Company ("SFC")	Saudi Arabia	**90**	90
Herfy Food Services Company Ltd. ("Herfy")	Saudi Arabia	**--**	70
Savola Industrial Investments Co. ("SIIC")	Saudi Arabia	**4.5**	4.5
United Properties Development Company ("UPDC")	Saudi Arabia	**100**	100
Adeem Arabia Company Ltd. ("AAC")	Saudi Arabia	**80**	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
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	**80**	100
AFIA Foods Arabia	Saudi Arabia	**100**	100
United Sugar Company, Egypt	Egypt	**19.1**	18.9
Giant Stores Trading Company ("Giant")	Saudi Arabia	**8**	8
United Company for Central Markets ("UCCM")	Lebanon	**8**	--

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

Entities controlled through subsidiaries

	Country of incorporation	Subsidiary ownership interest (%) 2010	2009
SFC			
Afia International Company ("AIC")	Saudi Arabia	**95.19**	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	**95**	95
Savola Foods Emerging Markets Company Limited ("SFEM")	British Virgin Islands	**95.4**	95.4
AIC			
Savola Behshahr Company (SBeC)	Iran	**80**	80
Malintra Holdings	Luxembourg	**100**	100
Savola Foods Limited ("SFL")	British Virgin Islands	**100**	100
Afia International Company – Jordan	Jordan	**97.4**	97.4
Inveskz Inc.	British Virgin Islands	**90**	90
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	**99.8**	99.8
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**	53.45
SFEM			
Savola Morocco Company	Morocco	**100**	100
Savola Edible Oils (Sudan) Ltd.	Sudan	**100**	100
AFIA International Company – Algeria	Algeria	**100**	100
SPS			
New Marina for Plastic Industries	Egypt	**100**	95
Al Sharq Company for Plastic Industries. Ltd.	Saudi Arabia	**93**	99
APU			
Giant Stores Trading Company	Saudi Arabia	**90**	90
United Company for Central Markets ("UCCM")	Lebanon	**90**	--
Giant			
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	**95**	95
United Company for Central Markets ("UCCM")	Lebanon	**--**	76

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

Effective September 16, 2009, the Group acquired through APU, the operations of Saudi Géant Company Limited ("Géant"), a limited liability company registered in Saudi Arabia. The consideration comprised of cash of SR 232 million and a deferred equity consideration of SR 237.3 million. APU paid the cash consideration on October 12, 2009 and the deferred equity component will be paid in the form of issue of 45,699 new shares (approximately) of APU with a par value of SR 1,000 per share. APU has recorded this amount in its balance sheet under shareholders' equity as 'Proposed increase in share capital; hence the group's shareholding is diluted by 5.6%. The proposed new shares will be issued at a premium and APU's shareholders have also agreed to convert APU into a closed joint stock company at the time of issuance of the aforementioned equity shares. The legal formalities for such process are currently underway.

Effective October 24, 2009, APU acquired direct ownership interest of 14% in United Company for Central Markets (UCCM), Lebanon (an existing subsidiary of Giant). The net assets of such operations having a fair value of SR 1.27 million were acquired at a total consideration of SR 2.49 million. Accordingly, the acquisition resulted in recognition of goodwill in the Company's books of SR 1.22 million.

In connection with the Group's acquisition of Al-Sharq (through SPS) in 2005 and subsequent legal proceedings of a minority shareholder owning 1% in Al-Sharq, against SPS and existing shareholders; in view of the court's decision in favour of the minority shareholder, the Group in 2009 sold 6% shareholding of SPS in Al- Sharq to the minority shareholder for SR 10.5 million at a loss of SR 344 thousands.

During the first quarter of 2010, the Group's subsidiary, Herfy Foods Services Company was offered to public subscription through Initial Public offering (IPO) of its 30% existing shares. This resulted in dilution of Group's interest in Herfy from 70% to 49% and loss of control. The Group received SR 289 million in consideration of its 5.67 million shares at a price of SR 51 per share and realised a net gain on disposal of SR 196 million. Herfy was deconsolidated from the date of its listing and has been recognised as an associate 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, 2009.

2. BASIS OF PREPARATION (continued)

(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 estimates 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 financial 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 entities 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 in 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.

Assets and liabilities of foreign consolidated subsidiaries are translated into Saudi Arabian Riyals at the exchange rates in effect at the balance sheet date. The components of foreign subsidiaries with the exception of retained earnings of subsidiaries are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statements are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi 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 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 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.

3. 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 control 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. 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 company, 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 listed and unlisted companies and investments funds.

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 an open market exists. In the absence of an open market and where 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 of impairment loss in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of income. Dividend income from such investments are recorded when declared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) *Other investments*

These include the Group's investment in real estate projects which are under development. These are carried at cost net of any impairment loss.

(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 are determined taking into account the carrying value 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 at the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion to 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 losses 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 of 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 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 customers, and are recorded net of trade 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 businesses 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 and marketing and 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"). 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 a 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.

(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 the Group's management and internal reporting structure.

4. INVESTMENTS

Investments at June 30 comprise the following:

	2010 (SR 000) (Unaudited)	2009 (SR 000) (Unaudited)
Investments in associates and jointly controlled companies - net (Note 4.1)	**4,310,739**	2,934,220
Available-for-sale (AFS) investments (Note 4.2)	**817,040**	854,575
Other investments - at cost (Note 4.3)	**814,481**	800,558
Total	**5,942,260**	4,589,353

4.1 Investment in Associates and Jointly-controlled companies

	Effective Ownership interest (%)		2010 SR (000)	2009 SR (000)
	2010	2009	**(Unaudited)**	(Unaudited)
Almarai Company – Saudi Arabia	**29.9**	28	**2,539,482**	1,509,990
Kinan International for Real Estate Development Company	**30**	30	**570,494**	550,429
Intaj Capital Limited – British Virgin Islands	**49**	49	**388,574**	418,520
Diyar Al Mashreq	**30**	30	**235,868**	234,684
Herfy Foods Services Company (Note 1)	**49**	--	**209,039**	--
Alexandria Sugar Company	**45.5**	45.5	**191,082**	47,349
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
Al Mojammat Al Mowahadah Real Estate Company	**20**	20	**400**	10,000
Others	**Various**	Various	**4,567**	5,589
Total			**4,310,739**	2,943,316
Provision for permanent diminution in value of investments			**--**	(9,096)
			4,310,739	2,934,220

4.2 Available for sale (AFS) investments

AFS investments at June 30, 2010 principally comprise the Company's 2.9% ownership interest amounting to SR 214 million (2009: SR 208 million 2.4%) in Emaar the Economic City (a joint stock company). It also includes the ownership interest of 14% in Swicorp Joussour Company amounting to SR 209 million (2009: SR 209 million), 15% in Swicorp, Saudi Arabia amounting to SR 116 million (2009: SR 116 million), 6.4% in Knowledge Economic City amounting to SR 217 million (2009: SR 217 million) and 5% in Taameer Jordanian Holding Company (Tameer) amounting to SR 34 million (2009: SR 34 million).

4. INVESTMENTS (continued)

4.3 Other investments

Other investments at June 30, 2010 mainly represent investments in certain 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 of subsidiaries 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 a 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 June 30, 2010, the Company's share capital of SR 5 billion consists of 500 million fully paid shares of SR 10 each (June 30, 2009: SR 5 billion consisting of 500 million fully paid shares of SR 10 each).

The Board of Directors in its meeting held on April 18, 2010, approved interim dividends of SR 125 million (representing SR 0.25 per share).

The Board of Directors in its meeting held on July 18, 2010, 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 six-month periods ended June 30, 2010 have been computed separately by dividing the income from operations (including minority's share) 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, 2010 of 500 million shares.

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 revenue to increase significantly during those periods. The effect of such period for 2010 and 2009 principally fall in third and fourth quarters of the financial year. Accordingly, the results of operations presented in the interim condensed consolidated financial statements for the quarter may not be a fair indicator of the results of operations for the full year.

10. SEGMENTAL INFORMATION

During the three – month and six-month period ended June 30, 2010 and 2009, 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, 2010 and 2009, and for the period ended on those dates, summarized by segment, is as follows:

2010 (Unaudited)	**Manufacturing/ wholesale**	**Retail**	**Investments and other activities**	**Total**
	(SR 000)	**(SR 000)**	**(SR 000)**	**(SR 000)**
Property, plant and equipment –net	2,725,615	2,327,010	14,846	**5,067,471**
Other non-current assets - net	944,511	570,783	5,534,750	**7,050,044**
Revenues – net	5,873,207	3,759,304	**--**	**9,632,511**
Net income	195,287	264,417	141,990	**601,694**

	Manufacturing/ wholesale	Retail	Investments and other activities	Total
	(SR 000)	(SR 000)	(SR 000)	(SR 000)
2009 (unaudited)				
Property, plant and equipment – net	2,490,746	2,113,077	5,822	4,609,645
Other non-current assets - net	1,095,484	204,693	4,555,596	5,855,773
Revenues – net	4,260,551	3,731,291	--	7,991,842
Net income	252,846	113,255	38,952	405,053

10. SEGMENTAL INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Egypt, Iran and certain other geographical areas. Selected financial information as of June 30, 2010 and 2009, and for the six – month period ended on those dates, summarized by geographic area, is as follows:

2010 (unaudited)	**Saudi Arabia (SR 000)**	**Egypt (SR 000)**	**Iran (SR 000)**	**Other countries (SR 000)**	**Total (SR 000)**
Property, plant and equipment – net	3,364,418	769,965	551,408	381,680	**5,067,471**
Other non-current assets-net	5,947,990	310,298	149,699	642,057	**7,050,044**
Revenue – net	6,358,387	1,114,446	1,088,125	1,071,553	**9,632,511**
Net income	602,821	1,213	39,026	(41,366)	**601,694**

2009 (unaudited)	Saudi Arabia (SR 000)	Egypt (SR 000)	Iran (SR 000)	Other countries (SR 000)	Total (SR 000)
Property, plant and equipment – net	3,184,922	782,922	290,849	350,954	4,609,647
Other non-current assets-net	4,620,348	154,850	390,160	690,415	5,855,773
Revenue – net	5,842,678	891,586	558,270	699,308	7,991,842
Net income (loss)	320,803	21,934	63,957	(1,641)	405,053

11. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

At June 30, 2010, the Group had outstanding commitments of SR 185 million (2009: SR 185.4 million) for investments.

Contingent liabilities

At June 30, 2010, the Department of Zakat and Income Tax (DZIT) has assessed an additional Zakat liability of SR 45.8 million (2009: 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. <u>BOARD OF DIRECTORS' APPROVAL</u>

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on July 18, 2010.