



Quality you can trust

Highlights at a Glance:



Almarai facilities: Saudi Arabia, UAE, Oman, Kuwait, Qatar, Bahrain.
Presence through joint ventures: Egypt and Jordan.

SAR 19.5 Billion

Total Assets

SAR 3.6

EPS

SAR 25.4 Billion

Market Capitalization

SAR 8.2 Billion

Equity

SAR 2.4 Billion

Cash Flow from Operations

SAR 9.8 Billion

Total Sales

SAR 1.4 Billion

Net Profit

24.3%

Sales Growth



Chairman's Statement

Reinforcing our Market Leadership

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present Almarai's Annual Report, covering the year ended 31 December 2012.

Fiscal expansion and recovery in global credit growth have helped enhance consumer confidence. This positive economic environment has been supportive of the food and beverage industry in the region despite the persistent volatility in commodity prices. Despite these economic pressures, Almarai has maintained a very sharp focus on the quality of its products and distribution thereof and with the blessings of Almighty Allah, 2012 proved to be another record year. Sales increased by 24.3% to SAR 9,883.0 million (2011: SAR 7,951.0 million), yielding Net Operating Income of SAR 1,672.9 million (2011: SAR 1,517.6 million).

2012 saw significant progress against our long term strategy in respect of portfolio diversification, geographic expansion and vertical integration, all aiming to develop and secure Almarai's future.

Thanks to a proven business model delivering a continued expansion, and the first time consolidation of International Dairy and Juice ("IDJ", a joint venture with PepsiCo), established core businesses, dairy and dairy foods, continue to drive profitable cashflow generation. Sales have reached SAR 6,680.1 million with healthy a growth rate of 17.5% (11.6% without IDJ) driven by the strength of our brand and continued focus on quality throughout our systems.

During 2012, the growth engines have been the juice and bakery segments. Almarai is leading the market in Juice with consumer driven portfolio management and focused distribution across the GCC delivering a growth rate of 20.7%, 40.0% with IDJ. The bakery segment is being driven forward by our innovation. This, combined with wider product offering and improved quality and availability, resulted in a year on year growth of 33.6%.

Poultry sales, supported by major packaging initiatives and geographic expansion, have grown by 58.0% to reach SAR 504.4 million in 2012. In line with group strategy, product portfolio diversification will improve as Almarai prepares for the commissioning of its significant investment into poultry facilities and capacities in 2013. All prospects, based on the progress made to date are very encouraging meaning, Almarai is well positioned to materialise its long term vision in poultry.

Following the acquisition of a controlling stake of IDJ in March 2012, Almarai can now fully reflect the results of geographic expansion. The joint venture partners believe that this change of control will enhance growth prospects and profitability of the dairy and juice segments outside the GCC countries moving forward.

2012 has seen the development of Almarai's footprint in Argentina with Fondomonte, a fully owned subsidiary, now managing and farming approximately 23,000 hectares. Fondomonte has invested in agricultural equipment and human resources and established a major structural and economic base from which to satisfy a significant proportion of Almarai's animal feed requirements in the future. This is the first step towards Almarai's commitment to be fully dependant on imported feed stuff in the long term and to effectively protect the Kingdom's water reserves.

In November 2012 the region's first infant nutrition manufacturing facility was commissioned after successfully completing a rigorous and stringent testing process. This investment, in addition to the poultry investment due for completion in the first quarter of 2013, is instrumental to Almarai's portfolio diversification strategy in 2013 and beyond.

In addition to Almarai's capital expenditure programme, we continued to invest in local talent with the company a proud employer of over 5,000 Saudi nationals, qualifying Almarai as an excellent and green employer according to Nitaqat regulations. In addition, Almarai's Dairy and Food Polytechnic, established in 2011 and located in Al Kharj, is currently training and developing in excess of 280 local students.

This progress towards Almarai's long term strategy in addition to Almarai's position as leader within the regional food and beverage industry represents a strong basis for future value creation.

Based on these results, the Almarai Board recommends a Dividend of SAR 1.25 per share, amounting to SAR 500.0 million and representing a Dividend Payout Ratio of 34.7%. Since IPO, the total annual return to shareholders, including share appreciation, is 16.6%.

I would like to express my thanks to my fellow Directors, to the executive leadership team and to all Almarai's employees for their outstanding contribution over the last 12 months. Finally, I thank our Shareholders, who have continued to support Almarai in delivering upon its Mission of providing quality and nutritious food and beverages that enrich our consumers' lives every day.

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman





Vision

To be the consumers' preferred choice by leading in chosen markets with superior food & beverage products.



Mission

To provide quality and nutritious food & beverages that enrich our consumers' lives every day.



Values

Adaptable: We are agile and flexible in our work, confidently taking bold decisions that benefit our stakeholders.

Sharing: We work together as one, openly collaborating and sharing skills & knowledge to enable our people to be the best.

Passionate: We are proud of the work we do, and strive for exceptional results.

Innovative: We are driven to improve our business everyday and to maximize the creative potential of our people.

Respect: We earn respect by embracing fairness, trust and integrity in all our relationships.

Excellence: We are diligent in our work and consistently deliver the best quality in everything we do.



Overview

Drawing on the tremendous potential of developing the traditional dairy industry to meet the fast-growing needs of the Saudi market, His Highness Prince Sultan Bin Mohammed Bin Saud Al Kabeer established Almarai Company in 1977.

Following years of visionary expansion and diligent product development, Almarai has evolved as the largest vertically integrated dairy company in the world. Almarai is also the largest manufacturer and distributor of beverages and food products in the region. Ranked as the MENA region's number one brand specialized in consumer products, Almarai is now the undisputed market leader across its product categories in all GCC countries.

Almarai, which initially started with dairy products, has evolved into a fully-integrated food production company by expanding its product portfolio to include juices, bakery products, poultry, and infant formula under the brand names, "Almarai", "L'usine", "7DAYS", "Alyoum", and "Almarai Enfa". This extraordinary growth has enabled Almarai to establish a preeminent position in the region.

Almarai's investment in diversification and growth has been further strengthened in the past five years. The company entered the bakery segment by acquiring the Jeddah-based Western Bakeries in 2007. It acquired Hail Agricultural Development Company in 2009, thus foraying into the poultry segment, and launched the new "Alyoum" brand, which has become well-established in Saudi Arabia's poultry market segment.

In 2010, Almarai established the International Pediatric Nutrition Company (IPNC), a joint venture with Mead Johnson Nutrition to provide world-class infant nutrition products.

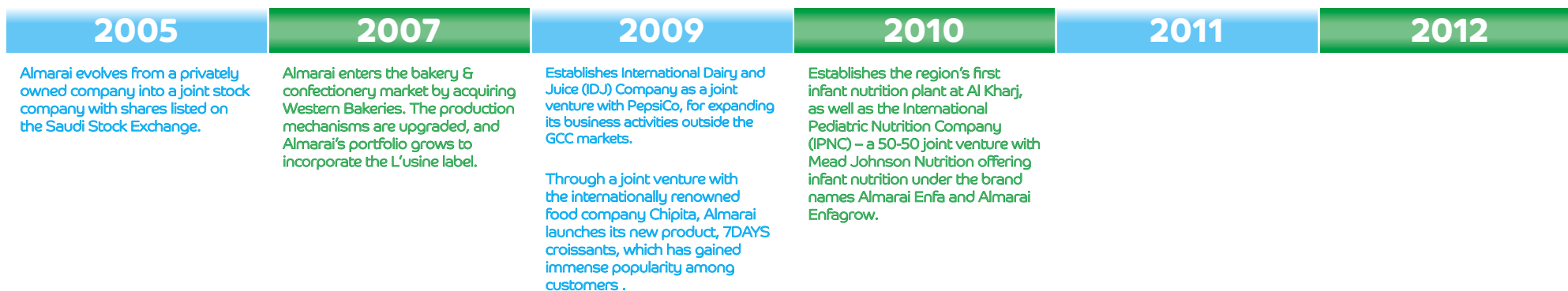
In line with its ambitious strategy to grow and to broaden its horizons regionally, Almarai expanded its business operations into Egypt and Jordan by acquiring Teeba and Beyti, respectively, in 2009 and 2010. Thus forming a joint venture with PepsiCo and launching the International Dairy and Juice Company (IDJ), a step aimed at further expanding the company's markets in the dairy and juice segments across the MENA region.

In December 2011, Almarai acquired Fondomonte SA, which owns and operates farms in Argentina, to help secure feed for its dairy and poultry units in Saudi Arabia.

As a result, the company has further expanded its Almarai umbrella brand, and has established strong presence across several new markets outside Saudi Arabia including the UAE, Kuwait, Qatar, Bahrain, Oman, and Egypt.

The expansion strategy has given strength to Almarai's brands, building on its slogan: "Quality You Can Trust", Almarai has remained committed to high quality food products throughout its development stages. It is now firmly recognized as offering the best nutritional value that meets the consumers' highest expectations and satisfies their tastes.

Historical Milestones





Board of Directors' Report

We are pleased to present the Board Report for the year 2012, encompassing a review of Almarai's operating and financial performance. We hope that, with the blessings of Almighty Allah, we will succeed in 2013 and beyond with the continued progression of our growth and expansionary plans.

Overview: First time consolidation of IDJ and a Foundation for Growth

Almarai achieved sales of SAR 9,883.0 million in 2012 – a record for the Group, representing an increase of 24.3% over the previous year (17.8% without International Dairy and Juice ("IDJ", a joint venture with PepsiCo)). Net Operating Income also reached record levels at SAR 1,672.9 million. Cash flow from operating activities amounted to SAR 2,384.4 million, representing 24.1% of sales.

Sales growth was strong across all product categories and was inflated by the first time consolidation of IDJ. Fresh dairy grew by 16.9% (11.7% without IDJ), long-life dairy by 33.5% (11.6% without IDJ), cheese and butter by 10.7% (9.4% without IDJ), fruit juice by 40.0% (20.7% without IDJ) and bakery by 33.6%. Poultry delivered the strongest growth during the 12 months with growth of 58.0% versus 2011.

Almarai's largest product group, fresh and long-life dairy sales reached SAR 5,078.3 million, which is another successful year with a combined growth of 19.9% (11.8% without IDJ). Almarai branded dairy products remain the consumer's preferred choice throughout the Gulf Cooperation Council (GCC) countries.

Cheese and Butter sales grew 10.7% (9.4% without IDJ) compared to last year and with annual sales in 2012 of SAR 1,601.8 million. It represents the second largest product range within Almarai's portfolio. Despite the very competitive environment for this category, Almarai, through its diversified product offering, successfully increased its market share during the year.

Almarai fruit juice continued to deliver strong growth with Sales of SAR 1,243.2 million representing an increase of 40.0% over 2011 (20.7% without IDJ). Driven by innovation, an unwavering commitment on quality and superior distribution in the marketplace, Almarai's juice portfolio is the market leader in five out of six GCC countries.

2012 bakery sales growth of 33.6% resulted in total Sales of SAR 1,290.6 million. Expanded distribution throughout the GCC countries, coupled with the leveraging of our new production facility in Al Kharj, has facilitated this exceptional growth achievement.

The focus on consistently delivering better product quality, effective communication, attractive packaging and unmatched distribution and sales reach, have combined to see poultry sales growth 58.0% to SAR 504.4 million. The ongoing focus for Almarai's poultry business will be the delivery of the significant investment announced by the Board in June 2011.

2012 saw commodities soften slightly from the record price levels reached in 2011 which impacted local and global players in the food and beverage industry. Improving commodity prices combined with a more favourable product and geographical mix, somehow offset by the dilutive impact of consolidating IDJ ensured product margins remained consistent from 2011 to 2012.

The Group's commitment to its profitable growth is materialised through its ongoing investment in capital projects which amounted to SAR 3,182.2 million in 2012 in line with its strategic plan. This investment positions Almarai to serve the GCC consumers quality products across an ever increasing diversified product offering. As per its long term strategy, the Group is continuously looking into new business opportunities that will compliment its product portfolio and geographic span.

Our continued commitment to the preservation of the environment was evidenced by our use of leading edge technology and processes throughout our supply chain to ensure water conservation. In addition, Almarai imported 100% of the alfalfa feed necessary to produce the dairy products exported outside of the Kingdom, whereas the statutory requirement was 40%.

We would like to express our thanks to Almarai's investors, for placing their trust in the Board of Directors. We would also like to extend our appreciation to Almarai's management team and over 28,000 employees who have demonstrated whole-hearted commitment to the Group's continuing development and exemplary performance. Finally, we should not forget our loyal consumers, who have ensured that, yet again, Almarai remains the most successful food and beverage group in the GCC countries.

Board of Directors
February 25 2012

Board of Directors' Profile



HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman of the Board

Established Almarai in 1977, and is the Chairman of its Board of Directors. Has several investment interests, including: Al Yamama Saudi Cement Company (est. 1961), Arabian Shield Cooperative Insurance Company, and Al-Tayyar Travel Group.

Contributed to establishing several other companies, including: Saudi Yemeni Cement Company (Yemen), Al Farabi Petrochemical Company Ltd., Zain Saudi Telecom, Jusour Petro Chemicals Company, ARASCO, Al Salam Bank (Bahrain), Arcapita Bank (Bahrain), Dana Gas (UAE), Tatweer Construction (Qatar), Ras Al Khaima Petroleum (UAE), IBC Company (Lebanon), Kuwaiti Chinese Holding Company (Kuwait), Kuwaiti Sudanese Holding Company (Kuwait), Kuwaiti Jordanian Holding Company (Kuwait), First Education Company (Kuwait), and Kingdom Schools Company.

Key Positions

Chairman of the Arab Union for Cement & Buildings Materials Company, Arabian Shield Cooperative Insurance Company, Al-Tayyar Travel Group, Nova Al Jezera Establishment, Arab Cubs Establishment, and Technical Projects & Contracting Establishment. Managing Director, Al Yamama Saudi Cement Company.

Social and Humanitarian Positions

Member of the Board of Trustees of King Abdul Aziz and His Men for the Care of Talents, the Equestrian Club, the Graduates Association in the Capital Model Institute, and the Piety Charity Society. Honorary Chairman of the Saudi Heart Association, the Saudi Chest Medication & Surgery Association, the Saudi Hearing Disability Association, and the Saudi Hypertension Association.



Engr. Nasser bin Mohammed Humoud Al Muttawa
Director

Member of the Board of Directors of Al Tayyar Travel Group, the Technical Investments Company, and the Arabian Shield Cooperative Insurance Company.

Chairman of the Assembly of Mobility Disabilities for Adults, as well as an active member and founder of 13 charities.

Holds a bachelor degree in Civil Engineering from Marquette University, USA. Has worked in the government and the private sectors since 1980, and has major business interests in various companies across the Middle East.



Dr. Ibrahim bin Hassan Mohammed Al Madhoun
Director

Member of the Boards of Directors of the Red Sea Housing Services Company, Herfy Company, Fitaihi Company, and Al Obeikan Investment Group.

PhD in Civil Engineering, University of Arizona, USA.



Ibrahim bin Mohammed Bin Ibrahim Alissa
Director

Chairman of Taiba Holding Company. Member of the Board of Directors of Banque Saudi Fransi, The Savola Group, Yanbu Cement Company, Jeddah Development & Urban Regeneration Company, Civil Aviation Authority, and a former member of the Municipal Council of Jeddah.

Holds a degree in Business Administration from Chapman University, California, USA.



Dr. Abdulraouf bin Mohammed Abdullah Mana'a
Director

Managing Director, Savola Group. Member of the Board of Directors of the Saudi Investment Bank, and Herfy Food Services Company. Member of the Board of the General Organization for Social Insurance. Member of several boards and subcommittees of Savola Group.

BSc in Mechanical Engineering from King Fahad Petroleum & Minerals University; Master's degree in Engineering; Master's degree in Engineering Science (Mechanical Engineering), UC, Berkley, USA. PHD in Mechanical Engineering, University of Washington, Seattle, USA (1982).



Suliman bin Abdulgader Al Muhaideb
Director

Chairman of the Boards of Directors of Al Muhaideb & Sons Group, The Savola Group, Amwal Al Khaleej Commercial Investments Company, Swicorp Jousour Company, and Aloula Real Estate Development Company. Member of the Boards of Directors of The Saudi British Bank (SABB), National Industrialization Company, Arabian Pipes Company, Al Yamama Steel Industries Company, and the Arabian Company for Water and Power Development (ACWA Power). Appointed by the Government as a Board Member of the Social Responsibility Board, and Centennial Fund.

BBA from Chapman University, California, USA.



Abdulrahman bin Abdulaziz Al Muhanna
Managing Director

Joined Almarai in 1979. Appointed Managing Director in 1997. Board member of the Arcapita Bank of Bahrain, Arabian Agricultural Services Company (ARASCO), and Al Jazirah Corporation for Press, Printing and Publishing, and Member of the National Committee for Biodiversity.

B.A. in Agricultural Economics, from King Saud University, Saudi Arabia.



Engr. Musa bin Omran Al Omran
Director

Board member of The Savola Group, United Sugar Company, Banque Saudi Fransi, Saudi Arabian General Investment Authority, Afia International Company, Jeddah Chamber of Commerce and Industry, and Jeddah Development & Urban Regeneration Company. Active member of Young Managers. Member of the Board of the Mecca region.

BSc in Industrial Engineering from King Saud University, Saudi Arabia.; MBA from St. Edward's University, USA (1994); and Diploma in Science and Technical Bread from Pittsburgh Institute, USA



Prince Naif Bin Sultan bin Mohammed Al Kabeer
Director

Chairman of Projects and Technical Contracting Company, and Ashbal Al Arab Establishment. Member of the Board of Faraby Al Khaleej Petrochemical Company, Zain Saudi Telecom, Kuwaiti Chinese Holding Company, Kuwaiti Sudanese Holding Company, Integrated Transportation Company, and Jassour Company.

MBA from King Saud University, Saudi Arabia.



Our Brands

Focused on innovation, Almarai regularly introduces new products in addition to enhancing the efficiency of its product portfolio. To achieve this, the company has launched a strategic initiative, Almarai Innovation Management (AIM). Upholding its credo, 'Quality You Can Trust,' Almarai has developed several brands, thus offering customers a wide selection of products that cater to their daily needs.

Under the Almarai umbrella brand, the company offers a range of food and beverages including fresh and long-life dairy products, fresh yoghurt, desserts, cheese and natural juices. Almarai's L'usine and 7DAYS brands represent several bakery products from breads to puffs, croissants and cakes.

Alyoum is Almarai's poultry brand, and completes the company's product portfolio. It features a wide selection of poultry products delivered to the retail shelf on a daily basis, providing high nutritional value to consumers.

Under Almarai Enfa and Almarai Enfagrow, the company has introduced two new infant formula products which offer the nutritional value babies need throughout the different stages of their growth.

"Great Brands of Tomorrow", a report published by Credit Suisse Research Institute, identifies Almarai as one of the world's fastest growing brands, and is the only Arabic and Middle Eastern company to be labelled a future brand, alongside Apple, Facebook, Amazon, Mercedes-Benz, Hyundai, and other global brands.

The report underlines that Almarai Company, through its investment and development strategies, has succeeded in a short period of time to achieve considerable growth, lending it the trust and credibility to walk shoulder to shoulder with the world's biggest brands.



المراعي
Almarai



Dairy Liquids



Backed by daily and sustained veterinary care and a system of high-quality feeding, Almarai's herd produces 2.5 million liters of milk per day. A single cow produces an average of 40 liters of milk per day, which is double the European average.

Almarai's Dairy Liquids portfolio includes a range of fresh and long-life products for the whole family from fresh laban and milk to delicious flavored milk products and the advanced Lactofree (lactose-free milk): Vetal Milk, and Vetal Laban. Almarai Dairy Liquids are available in all GCC countries.



Yoghurt and Desserts



Almarai yoghurt is made from 100% natural, fresh, calcium-rich cows milk. From zabadi, ghishta, and labneh to fruit yoghurt and crème caramel, Almarai's products are suited for the whole family.



Foods



Leveraging its unparalleled experience in healthy nutrition, Almarai offers a wide collection of high quality cheeses and dairy products to satisfy the family's different tastes. In addition to cream cheese, cheese slices, feta, mozzarella, and others, the Almarai product range includes butter, cream, and ghee. All products are constantly developed to meet the world's highest standards. Highlighting the company's commitment to product innovation.



Juices



Offering distinctive flavors, Almarai's Fruit Juice portfolio includes outstanding, world-class quality juices, which bring a unique refreshing taste to the Arabic food table. Almarai's juice experts travel the world to select the best fruits from their natural habitats to produce the quality of juices that satisfy consumers, while offering high nutritional value.

Since the introduction of Almarai's fruit juices in 1999, it has become the market leader in the segment in the GCC. In 2012, the product range was extended to include "Lemon Honey Ginger" juice.



Bakery



L'usine

The leading Almarai brand in Saudi Arabia's bakery sector, L'usine offers a variety of high quality products including breads, ready-to-eat pastries, croissants and other baked confectioneries.

L'usine products are distinguished for their freshness, high quality and nutritional value – referred to as the three essential values. Committed to become a leading brand in the sector, L'usine offers the finest bakery products for every need.

There are five product categories under L'usine: bread, pastries, cakes, maamoul and sambosa leaves, which are all available across the GCC region. In 2012, L'usine introduced its new bundle of products including the sliced multi-grain bread and pita bread.



Bakery



7DAYS

Almarai-Chipita's joint venture, 7DAYS was launched in 2009, gaining immense popularity for its high quality and delicious taste. The brand features several products, with the newest, introduced in 2012, being the 7DAYS Mini Croissants, 7DAYS Cake Bars and 7DAYS Wafer Sticks.

The 7DAYS Mini Croissants commercial received the highest number of likes in the MENA region on its Facebook page in 2012.



Poultry



Alyoum

Further strengthening consumer trust in its commitment to the highest quality products, Almarai invested significantly in the poultry segment to launch a new brand, Alyoum, in 2010. Offering a wide selection of fresh poultry products, the Alyoum range – building on its name that means 'today' in Arabic – is set apart for freshness and premium quality. The products are distributed to retailers on a daily basis ensuring that they reach consumers fresh.

Alyoum products include whole chicken and selected cuts that are packed in fully sealed trays to ensure the highest hygiene standards. The production process comprises multiple stages starting with receiving livestock from Almarai farms, preparing it, and distributing the final product to the targeted markets in Saudi Arabia and across the GCC region.

Almarai has commenced the continual process of expanding and upgrading the business operations of Hail Agricultural Development Company.



With investment value reaching over 4 billion Saudi riyals, Almarai has strengthened the overall company infrastructure with the addition of a new world-class poultry production unit and upgrading its central operations, supported by a power station, water facilities and waste processing units. Housing compounds for Almarai employees have also been constructed.

The growth in poultry product sales by Almarai in 2012 is regarded as the most efficient among all companies in this segment. Thousands of customers across the region are served every day through a state-of-the-art transportation and delivery system, with the latest technology used from tracking and facilitating production to the sales process.



Infant Formula



Marking the first of its kind in the region, Almarai commenced construction of a manufacturing plant for infant formula in Al Kharj in 2009. The next year, the company founded the International Pediatric Nutrition Company (IPNC), a 50-50 joint venture with Mead Johnson.

Under the two brands, Almarai Enfa and Almarai Enfagrow, the company produced infant formula for a trial period in May 2012.

Reiterating Almarai's commitment to the highest quality standards, the products underwent a long and meticulous chain of tests and experiments to ensure that they meet all national and international standards.

In mid-December 2012, Almarai received all approvals and passed all quality tests that mark the conformance of the products to the required standards.

Almarai has now become fully qualified for commercial production to meet the market's needs of infant formula for babies and infants up to three years of age.





Our Human Resources

As of 2012, Almarai has over 28,000 employees across its operations. The number of employees has increased by 26% compared to 2011, with 6,000 new personnel added to meet the remarkable growth of the company across all sectors.

Upholding the principle that human resources are the integral part of sustainable growth, Almarai continuously invests in recruiting talented professionals who add value to the organization. The company also focuses on refining its employees' skills and enhancing their leadership competencies.

Providing a competitive work environment with the opportunity for every staff member to grow and strengthen his skills, Almarai is committed to the Saudization policy – Tawteen – to recruit qualified Saudi nationals across its different operations.

Almarai has achieved high Saudization rates which earned the company and its subsidiaries the Excellent and Green classifications as per the Saudi Ministry of Labour's Nitaqat program to promote Saudi national employment.

To date, Almarai employs over 5,000 Saudi nationals and plans to increase the number to 12,000 in the next five years.





Employment Nationalization (Tawteen)

Committed to Saudization, Almarai continued its efforts throughout 2012 to attract qualified and ambitious Saudi youth, underlining its commitment to recruit and to train Saudi nationals.

Through its Saudization policy, Almarai aims to nurture a talent pool of Saudi professionals who are trained and experienced to undertake diverse career responsibilities.

Almarai's joint programs with the Human Resources Development Fund provide Saudi youth a strong platform to develop their skills by training and working for the company.

Almarai has also launched its own professional training programme, "Future Managers", which provides the opportunity for accomplished university graduates to be trained as successful managers. In 2012, seventy trainees graduated as part of the program.

Almarai's efforts culminated in classifying all its companies as Excellent and Green in the "Nitaqat" programme in Saudi Arabia.

Work Environment

Almarai has several management policies to ensure a competitive and stimulating work environment. These include the following:

- Supporting the occupational role of the employees, and providing a stable career path.
- Undertaking employee opinion surveys to measure their occupational satisfaction.
- Evaluating employees' performance, and rewarding accomplished professions with moral and financial support.
- Introducing policies to encourage employees, and reviewing wages periodically.
- Encouraging positive communication among employees through periodic meetings.
- Applying international occupational safety and health standards within the work environment.

The continual development of its work environment has always been a top priority of Almarai, consequently establishing its credentials as one of the best professional entities in the Kingdom.

Training and Development

To develop their professional competencies and to enhance performance and productivity at the workplace, Almarai continuously evaluates the training needs of its employees.

Training is a key component of the company's human resources development policy.

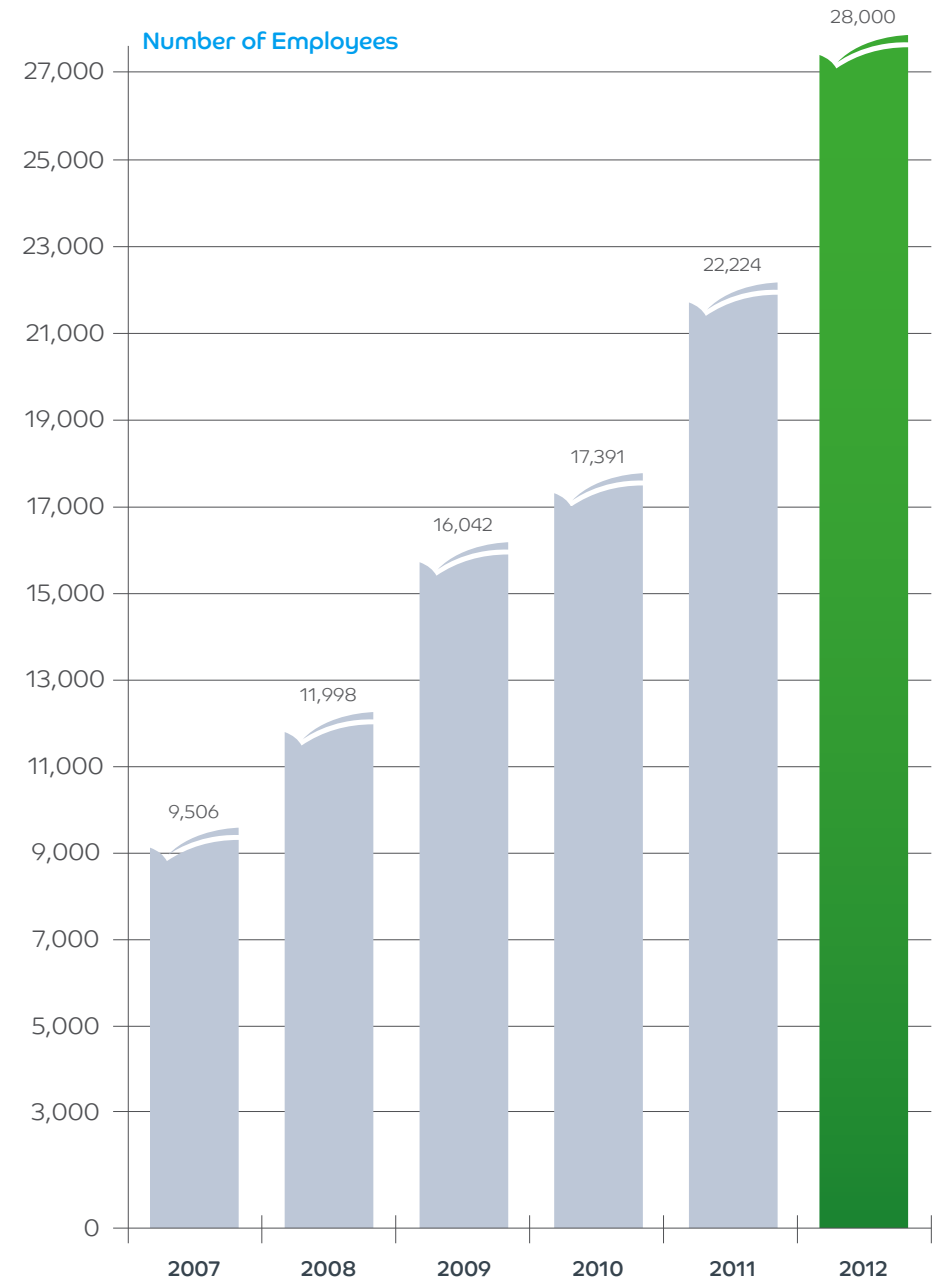
In 2012, Almarai further focused on strengthening the training needs of employees through several on-the-job training programs that provided technical and practical skills to enhance the work efficiency of employees.

Almarai also provides individual training courses for employees at specialized institutes where needed.



2012: Key Accomplishments

- Sustained career opportunities for over 3,794 Saudi nationals across Almarai and its subsidiaries in all key cities and principalities in the Kingdom at an average of 228 employees per month.
- Implemented special program for new university graduates to work in managerial and leadership positions, a program to provide necessary skills and expertise and was held in cooperation with an international entity specialised in training young leaders; 100 university graduates took part in 2012.
- 280 students enrolled for Dairy and Food Polytechnic (DFP) program for the academic year 2011-2012.
- 70 interns trained as part of the Future Managers program.
- Signed several agreements with leading technical institutes specialized in training and qualifying Saudi youth to work for Almarai.
- Established "Almarai Center for Heavy Vehicle Driving", for training and immediate hiring of Saudi nationals to drive Almarai fleet in accordance with the highest safety standards.
- Implemented a free English learning program, targeting Saudi youth in the city of AlKharj, as part of the company's social responsibility initiatives.
- Organised the yearly summer training program , attended by over 400 students.
- Signing agreements with several charities including: The Riyadh Orphans Charitable Society (ENSAN), and the National Committee for the Care of Prisoners, Released Prisoners, and their Families and its charitable social fund, for training and employing people registered under it.

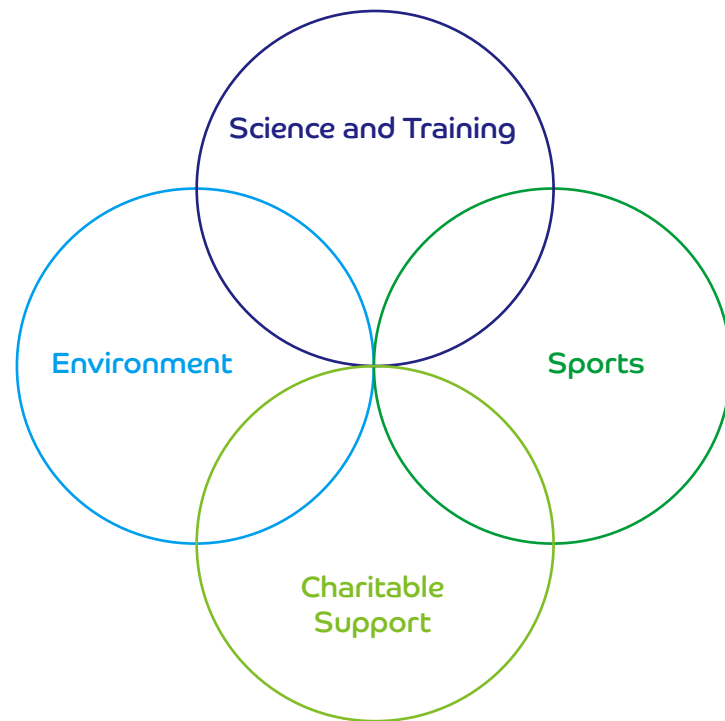


Our Social Responsibility

Almarai places the highest priority on social responsibility and sustainable development. The company's responsibility towards society covers all stakeholders including investors, consumers, employees, the community as a whole, and the environment. The social responsibility commitments of Almarai are under four areas: science & training, charities, environment, and sports.

The company supports many events through active partnerships and through collaboration with different social organizations across their activities.

Almarai also adopts the policy of caring for the environment and natural resources.



The Scope of Almarai's Social Responsibility





1 Science and Training

As part of its social responsibility, Almarai adopts and supports scientific innovation by granting a number of prestigious awards, including:

Almarai Award of Scientific Innovation:

The award was launched in 2001 in cooperation with the King Abdulaziz City for Science and Technology, and aims to strengthen scientific capability through supporting scientists and researchers in the fields of fundamental science, applied and developmental sciences, and innovation in the Kingdom of Saudi Arabia.

Almarai Education Excellence Award for GCC Arab Students:

Launched in 2006, it provides support to students who are enrolled in the public education system in the GCC countries. The award aims at encouraging outstanding students, developing their abilities and talent, and supporting their achievements.

Almarai Award for Veterinary Excellence:

Initiated in 2010, the award supports the veterinary profession and aims at reinforcing the importance of the veterinarian's role in protecting the general health of Saudi Arabia's livestock – a national treasure.

Training:

Building on Almarai's focus on training Saudi youth to work for the private sector, particularly in the food industry, the company established the Dairy and Food Polytechnic (DFP) in cooperation with the Technical and Vocational Training Corporation, and the Human Resources Development Fund.

The initiative aims at training Saudi youth in the food industry by providing them with the necessary skills and knowledge to leverage the best opportunities for a rewarding career. The institute enrolls 600 students, and 200 graduate students every year.

To enable Saudi youth to enter the work system effectively, Almarai has continuously contributed to cooperative training of university students in all fields of study, and also offers yearly opportunities for summer internships.

2 Charitable Activities

Charities:

Almarai supports several social and humanitarian programs and activities that contribute to strengthening social cohesion. In addition to direct financial support of over 75 charities annually, Almarai sponsors various activities such as:

Warmer Winter:

Almarai started its proprietary charitable program, Warmer Winter, in 2012. As part of the

initiative, more than 2,000 blankets were distributed to needy families in remote towns and villages across the Kingdom's colder regions. The areas covered included: Hail, Qassim, Mecca, Medina, Asir, Jouf and Tabuk. The initiative aims to help the needy families throughout the year.

Food Basket:

Almarai also launched the Food Basket charitable program in 2012. Aid was provided to over 4,000 families, selected by the local mosques of 18 principalities across the Kingdom, and covered over six towns and villages. Every family received a food basket containing 22 healthy products from Almarai.

Cultural Support:

Almarai sponsors several cultural events and festivals, such as the Al Janadriyah Heritage and Cultural Festival.

3 The Environment

Water:

Realizing the importance of preserving water, an exhaustible and precious natural resource, Almarai implements business models that take into consideration the water shortage in the region.

Almarai has also introduced several advanced technologies to reduce water usage and to enhance water use efficiency.

In line with this policy, Almarai has invested in large farms in Argentina for effectively managing the import of feed.

Environmental Standards:

Almarai applies the ISO 14001:2004 environmental standards, reiterating its commitment to the highest environment management system. This ensures a healthy balance between profits and sustainable environment, taking into consideration current and future risks.

4 Sports Events

Sports Events:

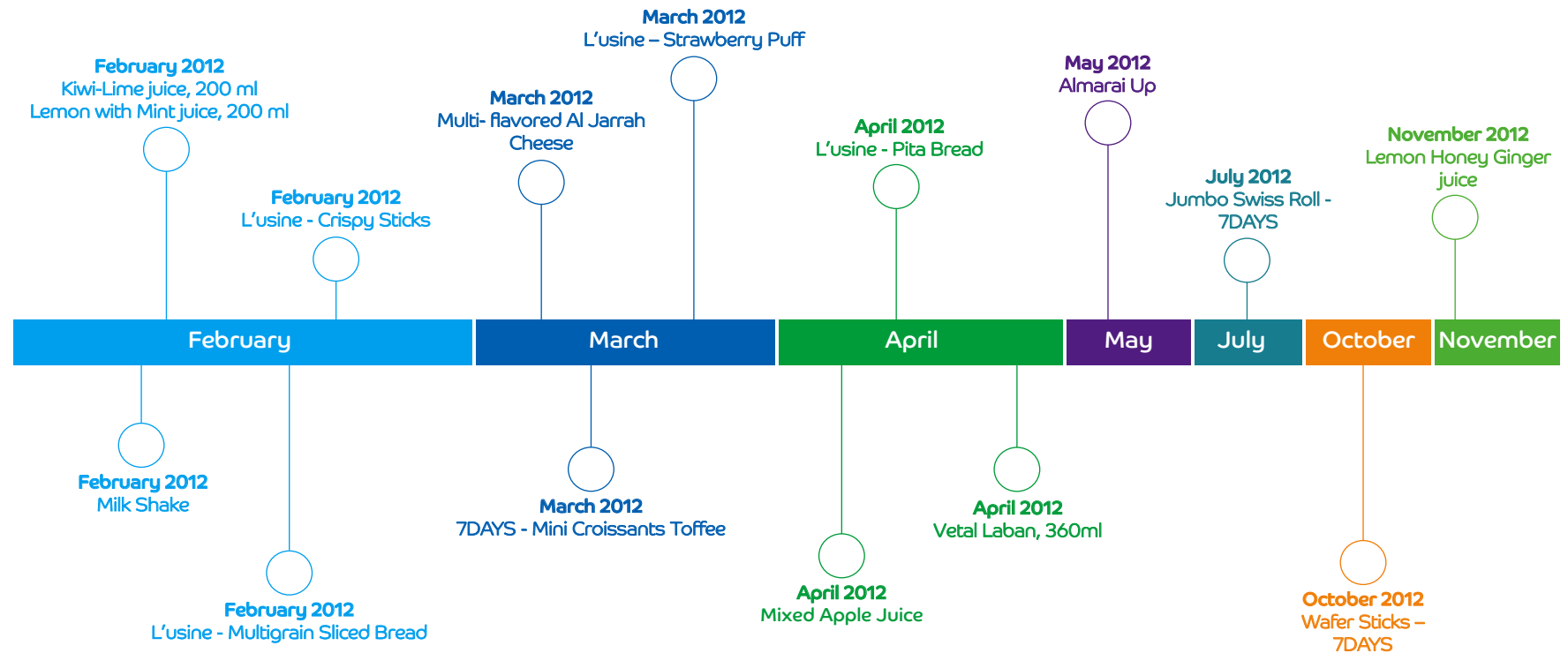
Underscoring the importance of sports in enhancing overall health and well-being, Almarai sponsors several sports activities including the International Hail Rally, and the Annual Equestrian Races in Riyadh and Jeddah. The company also sponsors a number of other sports events in golf, bowling, and basketball.



New Products Introduced by Almarai in 2012

Almarai continued to develop existing products as well as introducing new ones. This has been part of an ongoing research to offer high quality nutritious food products that meet consumer expectations.

In 2012, Almarai has introduced over 20 new products under various brands.





Food Safety

A Steadfast Commitment

In 2012, Almarai continued to uphold its record-setting food safety standards across all segments by reviewing and re-evaluating the standards of the food safety management system ISO22000-2005, which guarantees careful monitoring for food safety.

Almarai added this standard to poultry, farming, and infant formula segments in 2012. All these segments received the certificate for the first time, joining the status of dairy farms and factories, bakery, juices, and poultry segments in food safety standards.

Almarai also undertook a comprehensive review of the occupational safety and health standard BS OHSAS 18001:2007 to ensure pre-emptive monitoring of all health and safety risks, and to enhance the safe work environment by reducing the possibility of accidents.

In May 2012, Sales Management merged the Quality, Health, Safety, and Environment systems (QHSE) into one Integrated Management System (IMS). The new IMS combines all the elements of a commercial business in one system, designed to achieve customer satisfaction by implementing the company's policies and procedures, and committing to the highest international standards.



Detailed Review of Principal Activities of 2012

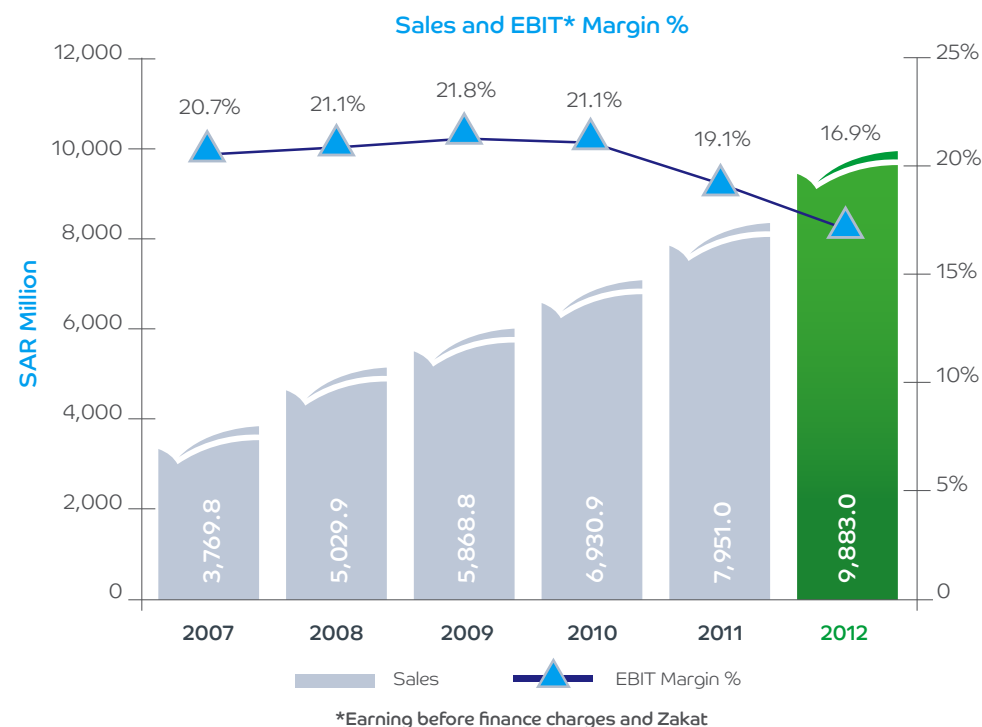
Continued growth whilst building our future

A review of the financial performance demonstrates once again our ability to consistently deliver robust growth. The compound annual sales growth rate since 2008 of 18.4% (16.8% without IDJ) is a reflection of the superior quality of the Group's products supported by our ongoing programme of intensive investment in production infrastructure, distribution capabilities and marketing, as well as entry into new categories and acquisitions. As a result, in 2012, sales and net operating income amounted to SAR 9,883.0 million and SAR 1,672.9 million respectively.

The chart below illustrates the continuous growth in sales and EBIT margin.

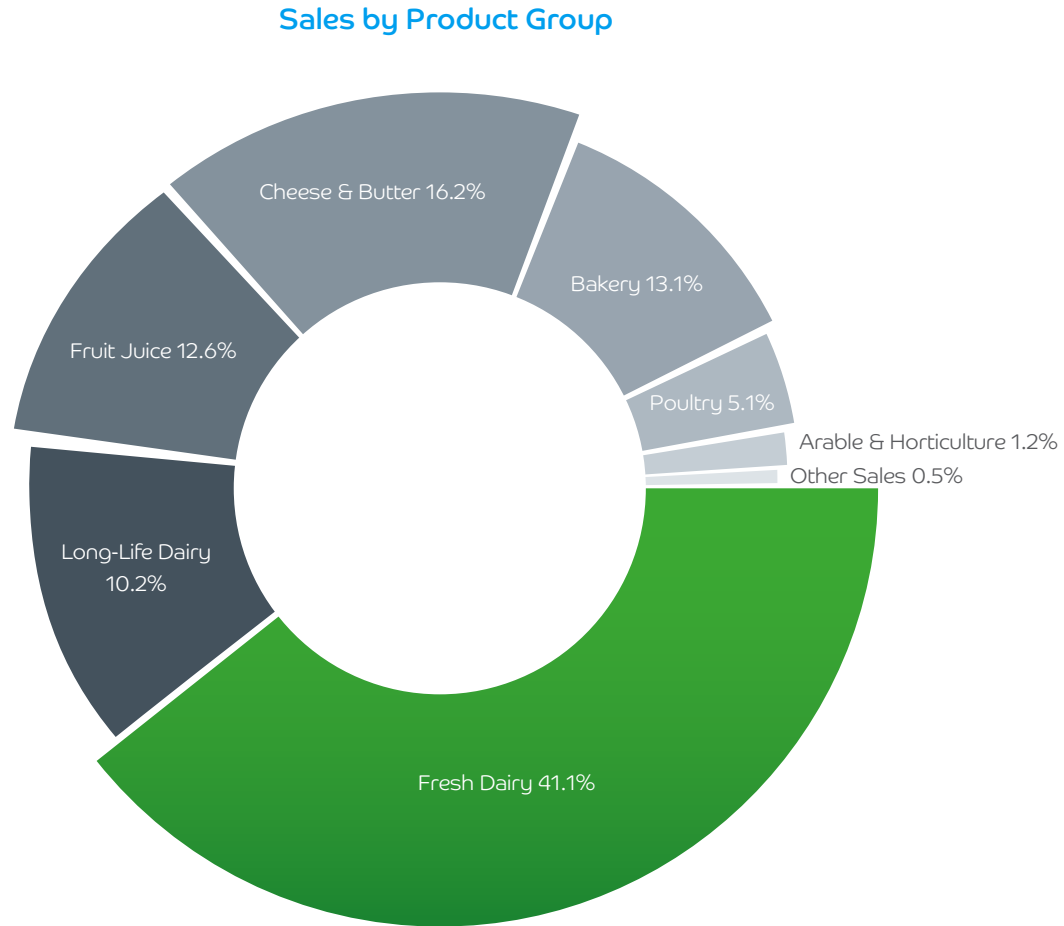
Sales by Product Group*	Year ended 31 December		
	2012	2011	% change
Fresh Dairy	4,062.1	3,475.7	16.9 %
Long-Life Dairy	1,016.2	761.1	33.5 %
Cheese & Butter	1,601.8	1,446.6	10.7 %
Fruit Juice	1,243.2	888.1	40.0 %
Bakery	1,290.6	966.4	33.6 %
Other Sales	49.4	21.2	132.8 %
Sub-Total	9,263.3	7,559.2	22.5 %
Poultry	504.4	319.2	58.0 %
Arable & Horticulture	115.3	72.6	58.8 %
Total Sales	9,883.0	7,951.0	24.3 %

* SAR Million



All major categories delivered robust growth, contributing to the Group's overall Sales growth of 24.3% (17.8% without IDJ).

The following chart gives a breakdown of sales by product group:



Fresh Dairy

Almarai's flagship product group includes locally-produced fresh milk and laban, zabadi (plain yoghurt), fruit yoghurts and cream and dairy desserts. Fresh Dairy sales grew by 16.9% year-on-year (11.7% without IDJ) to reach SAR 4,062.1 million, representing 41.1% of total sales.

In 2012, growth momentum continued as a result of comprehensive marketing campaigns and innovation programmes. The entire Almarai range was revitalised by harmonising the packaging graphics with a fresh consistent look further strengthening the brands consumer appeal.

Key innovation initiatives delivered incremental gains included Almarai-up, Milkshake and new packaging formats targeted at leveraging the rapidly growing 'on the go' consumption occasion.

Catering to increasing health and wellness demands from the GCC consumer, the Almarai Vetal advanced nutrition brand was extended and now encompasses key fresh dairy categories of Laban, Milk, Zabadi and fruit yoghurts. The success of these products has surpassed our most optimistic projections and exceeded initial market share targets.

Long-Life Dairy

This category comprises UHT milk, evaporated milk, whipping cream, cooking cream and sterilised cream. The combination of product improvement, marketing and focused distribution strategies resulted in sales growth from 2011 of 33.5% (11.6% without IDJ) to SAR 1,016.2 million for 2012.

Cheese and Butter

This product group is made up of processed cheese in jars, cheese triangles, slices, blocks, tins and squares; natural cheese including Feta, Halloumi and Mozzarella; and culinary products including butter, cream and ghee.

Almarai's product development in this product group saw the roll out of the innovative jar design across the entire range of spreadable cheese in addition to the introduction of new flavours. In line with the complete Almarai portfolio, the cheese and butter portfolio benefited from substantially improved packaging graphics with increased consumer appeal. Robust sales performance was achieved with growth of 10.7% (9.4% without IDJ) delivering sales of SAR 1,601.8 million.

Fruit Juice

Almarai's juice segment reached record highs in 2012 with focussed distribution and trade marketing initiatives supported by product innovation and consistent communication. Almarai introduced four new flavours (Strawberry Banana, Mixed Apple, Mixed Orange and the first winter seasonal flavour) to complement the existing 16 flavours across four different pack sizes.

This innovation combined with an unwavering commitment to product quality was rewarded with annual sales growth of 40.0% (20.7% without IDJ) to SAR 1,243.2 million, reinforcing the brand's strong market leadership.

Bakery

Almarai bakery products are marketed under the L'usine brand (with a portfolio of bread, pastry, cakes, and biscuits and the 7 Days brand (pastry and cakes). The distribution footprint for both brands was expanded to cover all markets of the GCC in 2011 and strengthened over 2012. New product launches in 2012 included: L'Usine (Multigrain Sliced Bread, Strawberry Puffs, Custard Puffs) and 7 Days (Mini Croissants and Toffee Croissants).

Superior product formulations, new product development, increased distribution, improved trade marketing and new packaging graphics has seen bakery sales grow to SAR 1,290.6 million, up 33.6% on the previous year.

Poultry

2012 was the third full year of Almarai's presence in the poultry segment since the acquisition of Hail Agricultural Development Company ("HADCO") in October 2009. The poultry range, under the Alyoum brand, comprises fresh whole chickens and portion packs (including wings, drumsticks, whole legs, thighs, mixed parts and breast fillets). During 2012 Almarai introduced hygienically proofed shrink packaging for whole birds and continues to concentrate on delivering the significant investment announced by the Board in June 2011.

The focus on consistently delivering better product quality, effective communication, attractive packaging and unmatched distribution and sales reach, have combined to see revenues grow 58.0% to SAR 504.4 million.

Arable & Horticulture

Sales from arable and horticultural operations, which include dates, olive oil, grapes and wheat, grew to SAR 115.3 million.

Operating Costs

During 2012, commodity prices softened slightly improving the ratio of Direct Material Costs to Sales, with a decrease from 43.2% in 2011 to 42.6% before consolidating IDJ. The first time consolidation of IDJ, along with its dilutive effect on margin, increased this ratio to 43.3%.

Selling & Distribution Expenses and General & Administration Expenses, increased by 24.3%. The key contributing factors to this increase were: first time consolidation of IDJ, distribution expansion of bakery and poultry products throughout the GCC countries; portfolio changes resulting from Almarai's diversification into new categories; enhancing the infrastructure of the organisation to address the increasing complexity of the business and preparing the foundation for future growth.

Almarai is continuously investing in local talent and as such Almarai intends to be at the forefront of compliance to the progressive labour laws and regulations. The resulting increasing localisation has adversely affected operating costs, including Other Cost of Sales.

Depreciation and Disposal of Assets

Biological assets include the dairy herd, poultry flocks and horticultural crops. Net biological asset appreciation represents the growth in such assets, capitalised in accordance with our accounting policy and in line with SOCPA standards. The accounting policy is outlined in the Financial Statements.

Depreciation and disposal of assets increased by SAR 111.0 million due to the ongoing investment in our farming, production and distribution facilities. This increase is net of the SAR 47.2 million gain realised from sale of land in Al Kharj to the government during 2012.

Operating Costs*	Year ended 31 December				
	2012	% of Sales	2011	% of Sales	Change in %
Direct Material Costs	4,279.2	43.2%	3,433.4	43.2%	24.6%
Other Cost of Sales	2,092.7	21.2%	1,521.0	19.1%	37.6%
Selling & Distribution Expenses	1,616.7	16.4%	1,213.2	15.3%	33.3%
General & Administration Expenses	221.4	2.2%	265.7	3.3%	(16.7%)
Total Operating Costs	8,210.1	83.1%	6,433.4	80.9%	27.6%

Operating Costs may also be viewed by the nature of the expenditure incurred:

* SAR Million

Operating Costs*	Year ended 31 December				
	2012	% of Sales	2011	% of Sales	Change in %
Direct Material Costs	4,279.2	43.2%	3,433.4	43.2%	24.6%
Employee Costs	1,776.1	18.0%	1,353.3	17.0%	31.2%
Operating Overheads	960.2	9.7%	654.0	8.2%	46.8%
Marketing Expenses	487.2	4.9%	397.3	5.0%	22.6%
Insurance	23.7	0.2%	22.6	0.3%	5.1%
Depreciation & Disposal of Assets	683.8	6.9%	572.8	7.2%	19.4 %
Total Operating Costs	8,210.1	83.1%	6,433.4	80.9%	27.6%

* SAR Million

Share of Results of Associates and Joint Ventures

Investments in Associated Companies include International Pediatric Nutrition Company (a joint venture company with Mead Johnson Nutrition) and Pure Breed Company (an Associate Company). International Dairy & Juice (a joint venture company with PepsiCo) became a consolidated subsidiary when Almarai increased its shareholding from 48% to 52% in March 2012.

Associates & Joint Ventures*	Opening Balance	Capital Introduced	Share of Results for The Year	Distributions	Transfers to Consolidated Subsidiary	Closing Balance
International Dairy & Juice Limited	489.5	-	(6.7)	-	(482.8)	-
Pure Breed Company	34.7	-	4.3	(2.1)	-	36.9
International Pediatric Nutrition Company	10.3	23.5	(22.1)	-	-	11.7
Almarai Company WLL	0.2	-	-	-	-	0.2
Total	534.7	23.5	(24.5)	(2.1)	(482.8)	48.8

* SAR Million

Statutory Payments

Statutory payments during the year were:

Statutory Payments*	Year ended 31 December	
	2012	2011
Customs duty	105.0	92.6
Zakat and Income Tax	44.6	32.5
G.O.S.I.	41.0	25.5
Ministry Fees	36.7	38.7
Others	5.7	3.7
Total Payments	232.9	193.1

* SAR Million

Zakat

Zakat is calculated at the higher of net adjusted income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In 2012, the Zakat charge is based on the net adjusted income method.

The Company has filed its Zakat returns for all the years up to 2011 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while the 2007 to 2011 Zakat returns are still under review by DZIT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all years up to 31 December 2002. From 2009 onwards HADCO is not required to file a return as results are consolidated into the Almarai Group return.

Net Income

Net income increased to SAR 1,440.6 million in 2012 from SAR 1,139.5 million in 2011, representing 14.6% and 14.3% of sales respectively.

Cash Flows

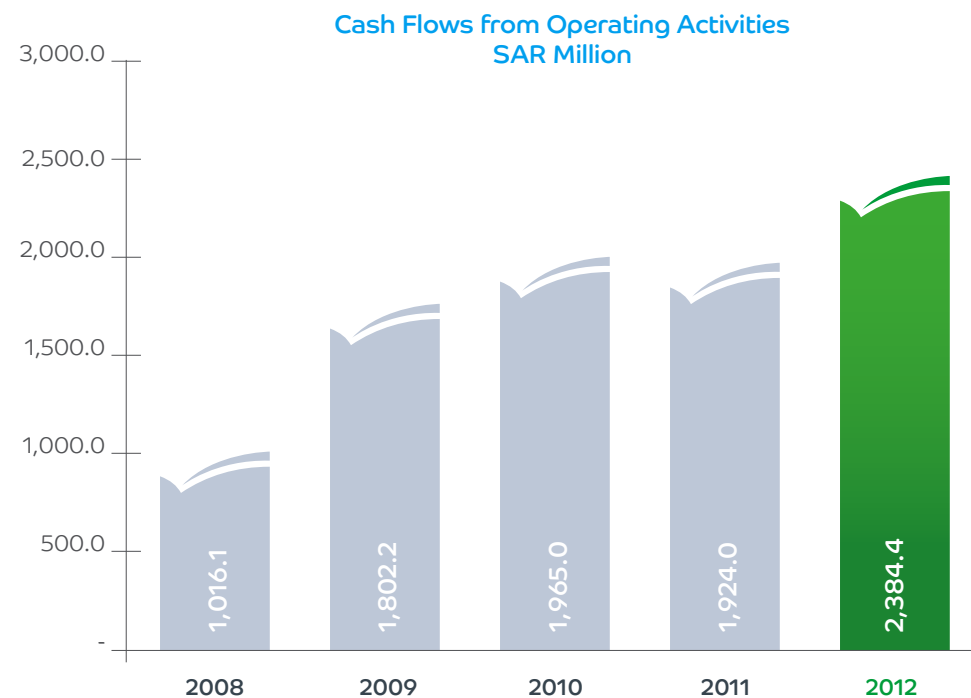
Cash flows from operating activities reached SAR 2,384.4 million, compared to SAR 1,924.0 million in 2011 and equating to 24.1% of total sales. Operating cash flow and increased borrowings funded Almarai's SAR 2,932.9 million investment programme for the year, the acquisition of the controlling stake for the IDJ joint venture as well as paying shareholder dividends.

Continued heavy investment will enable Almarai to satisfy growth in consumer demand and maintain/grow market share in all GCC countries, while also financing diversification into new business areas, by product category and geographically.

Improved management of working capital in relation to receivables and payables was offset by increased investment in inventory. As a percentage of sales, operating net working capital reduced from 10.1% to 9.4%.

Cash Flow Statement*	Year ended 31 December	
	2012	2011
From Operating Activities	2,384.4	1,924.0
Used in Investing Activities	(2,932.9)	(3,237.5)
From Financing Activities	693.8	1,344.7
Increase in Cash	145.3	31.2
Cash at beginning of period	272.0	240.8
Cash at end of period	417.3	272.0

* SAR Million



Cash Flows from Operating Activities*	Year ended 31 December	
	2012	2011
Net Income	1440.6	1139.5
Depreciation & Disposal of Assets	683.8	572.8
Impairment loss	-	160.2
Bank Charges Accrued	157.5	135
Share of Results of Associates and Joint Ventures	24.6	42.3
Change in Employees' Termination Benefits	49.8	38.4
Share of Minority Interest in Net Income of a Consolidated Subsidiary	(0.7)	7.4
Changes in Net Operating Working Capital	28.9	(171.6)
Cash Flows from Operating Activities	2,384.4	1,924.0

* SAR Million

Cash Flows Used in Investing Activities*	Year ended 31 December	
	2012	2011
Capital Expenditure (including biological assets)	(3,182.2)	(3,054.7)
Proceeds from disposals	245.7	147.2
Acquisition of Investments and Financial Assets	(23.5)	(17.5)
Acquisition of Subsidiaries, Net of Cash Acquired	24.9	(315.6)
Dividend received from an Associate	2.2	3.1
Cash Flows Used in Investing Activities	(2,932.9)	(3,237.5)

* SAR Million

Capital Expenditure*	2012					Total	2011 Total
	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities		
Replacement	(233.6)	(2.1)	(0.5)	(20.7)	0.0	(257.0)	(73.1)
New Capex	(825.7)	(144.3)	(1,841.0)	(28.5)	(85.7)	(2,925.3)	(2,981.6)
Total	(1,059.3)	(146.5)	(1,841.5)	(49.2)	(85.7)	(3,182.3)	(3,054.7)
Capital Commitments	(1,232.6)	(79.0)	(321.0)	(16.2)	(50.3)	(1,699.1)	(1,930.6)

* SAR Million

Building Our Future

In 2012, Almarai invested SAR 3,182.2 million in continuing the process of putting the platforms for future growth in place. This investment is spread across Almarai's diversified operations:

Poultry

- The capital investment consists of the design and construction of a state-of-the-art integrated Poultry Processing facility with a potential capacity of 180 millions birds per annum, a rendering plant and the related distribution infrastructure throughout the GCC countries. These facilities will be commissioned in the three steps during 2013, with the first primary processing line to be commissioned during first quarter of 2013.

Dairy Farming, Manufacturing and Distribution

- Continued robust growth in our core product groups (dairy, juice, cheese & butter and bakery) requires investment in our supply chain to serve consumer demand.

- Our farming, manufacturing and distribution capabilities were all improved with increased capacity to satisfy this growth.

2013 will be a key year for Almarai as the poultry facilities and infant nutrition plant are commissioned and these new businesses continue to gain momentum.

Financing

The strong cash flow generating capability of Almarai has enabled the Group to obtain additional credit facilities to finance the investments mentioned above including its first ever Sukuk issue raising SAR 1,000.0 million with a seven year maturity. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears.

Cash Flows from Financing Activities*	Year ended 31 December	
	2012	2011
Increase in Loans	1,480.9	2,077.5
<u>Borrowings from government financial institutions</u>		
Repayments	(150.5)	(127.9)
Receipts	183.7	475.6
<u>Borrowings from Islamic banking facilities (Murabaha)</u>		
Repayments	(1,000.5)	(418.0)
Receipts	1,420.9	2,147.8
<u>Borrowings from Sukuk Issue</u>		
Receipts	1,000.0	-
<u>Commercial Facilities for Foreign Subsidiaries</u>		
Receipts	27.3	-
Dividends Paid	(511.8)	(515.6)
Distribution to Minority Interest	(0.8)	-
Bank Charges Paid	(277.6)	(89.2)
Purchase of Treasury Shares	-	(97.8)
Deferred Charges	3.1	(30.3)
Cash Flows from Financing Activities	693.8	1,344.7

* SAR Million

Almarai has obtained partial financing facilities in respect of its major investment programmes from Saudi Industrial Development Fund (SIDF), a Government financial institution in Saudi Arabia. This SIDF financing is not commission-bearing, carries an initial evaluation cost and ongoing follow-up costs. SIDF Loan is not subject to commission rate risk.

Recognizing the need for further financing to fund our future plans, the Group secured an additional SAR 1,800.0 million of Islamic banking facilities (Murabaha) with a maturity of greater than five years and an additional SAR 771.8 million of SIDF facilities with a maturity of more than five years.

As at 31 December 2012, SAR 2,658.3 million and SAR 972.3 million of Islamic banking facilities and SIDF facilities respectively were unutilized and available for draw down. Finance charges (expense) increased from SAR 135.0 million to SAR 157.5 million primarily due to higher loan utilization while SAR 75.1 million of borrowing cost was capitalised to Property, Plant and Equipment during 2012 (SAR 56.7 million in 2011).

Distribution Policy

As per Article 44 of Almarai's by-laws, after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

(a) Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital.

(b) These shall be paid to the holders of preferred shares the specified percentage pertaining to such shares.

(c) The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.

(d) Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital.

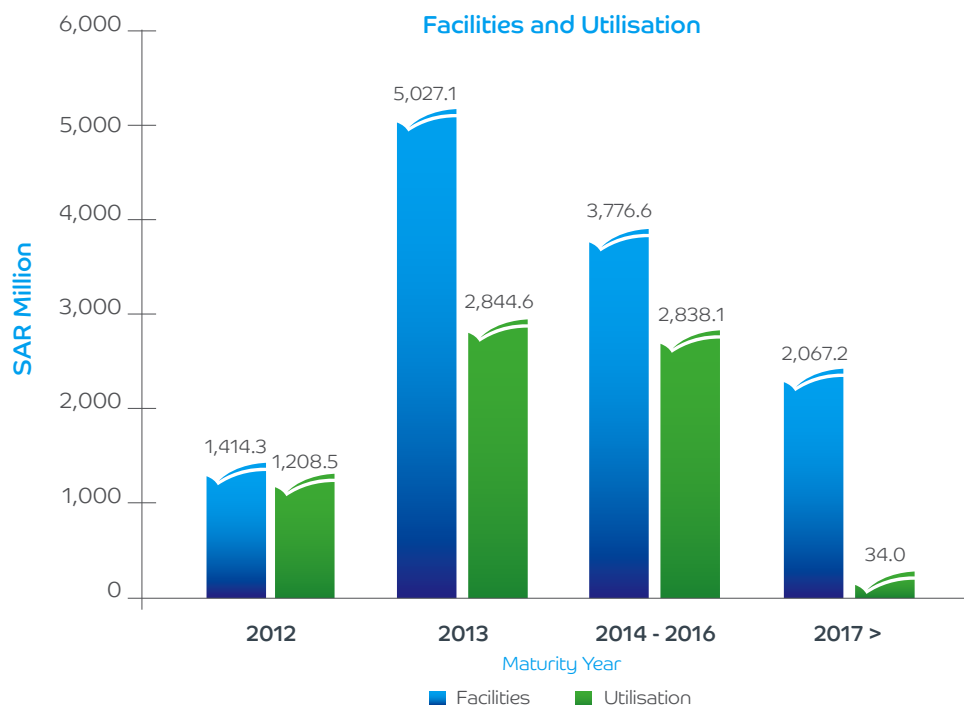
(e) No more than five percent (5%) of the remaining amount shall be paid as compensation to the members of the Board of Directors.

(f) The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to retained profits account.

The Company may distribute semi-annual and quarterly profits after it has completed the necessary procedures put in place by the competent authorities.

At the Extraordinary General Assembly of 2 April 2012, Almarai shareholders approved a dividend distribution for 2011 of SAR 2.25 per share (based on 230 million shares), amounting to SAR 517.5 million.

For 2012, the Board of Directors proposes a dividend of SAR 1.25 per share (based on 400 million shares), amounting to SAR 500.0 million.



Board Meetings and Directors' Disclosure

During the year we held five board meetings and attendance was as per the table below.

Directors Name and other Public Company Directorships	Classification	First Meeting (31.01.2012)	Second Meeting (03.04.2012)	Third Meeting (28.05.2012)	Fourth Meeting (18.09.2012)	Fifth Meeting (10.12.2012)	Total
HH Prince Sultan bin Mohammed bin Saud Al Kabeer (Chairman of the Board of Almarai Company), Yamama Cement Company, Arabian Shield Insurance Company, Al Tayyar Travel Group	Non Executive	-	✓	✓	✓	-	3
Abdulrahman bin Abdulaziz Al Muhanna (Managing Director of Almarai Company)	Executive	✓	✓	✓	✓	✓	5
Engr. Nasser Mohammed Al Muttawa Arabian Shield Insurance Company, Al Tayyar Travel Group	Independent	✓	-	✓	✓	✓	4
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer Zain KSA	Non Executive	✓	✓	✓	✓	✓	5
Ibrahim Mohammed Al Issa Banque Saudi Fransi, The Savola Group, Taibah for Investments, Yanbu Cement Company	Non Executive	✓	✓	✓	✓	✓	5
Mosa Omran Mohammed Al Omran The Savola Group, Banque Saudi Fransi, Arabian Cement Co.	Independent	✓	-	✓	✓	✓	4
Dr. Abdulraof Mohammed Mana'a The Savola Group, The Saudi Investment Bank, Herfy Food Services Company, Knowledge Economic City	Non Executive	✓	✓	✓	✓	-	4
Suliman Abdulqader Al Muhaidib The Saudi British Bank, The Savola Group, National Industrialization Company	Non Executive	✓	✓	✓	✓	✓	5
Ibrahim Hassan Al Madhon Read Sea Company, Herfy Food Services Company, Fitaihi Holding Group	Independent	✓	✓	✓	✓	✓	5

The Company's By-Laws stipulate that the election of Board members is by cumulative vote at the General Assembly Meeting.

Directors' Disclosure

Board of Directors	Number of Shares				Debt Instruments (SAR)			
	01.01.2012	Net Change	31.12.2012	% Change	01.01.2012	Net Change	31.12.2012	% Change
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	114,782,615	-	114,782,615	-	-	-	-	-
Abdulrahman bin Abdulaziz Al Muhanna	1,410,434	(108,434)	1,302,000	(7.7%)	-	-	-	-
Engr. Nasser Mohammed Al Muttawa	574,857	(21,923)	552,934	(3.8%)	-	-	-	-
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	3,478,261	-	3,478,261	-	-	-	-	-
Ibrahim Mohammed Al Issa	5,217	-	5,217	-	-	-	-	-
Mosa Omran Mohammed Al Omran	3,496,128	-	3,496,128	-	-	-	-	-
Abdulraof Mohammed Mana'a	3,478	(1,739)	1,739	(50.0%)	-	-	-	-
Suliman Abdulqader Al Muhaideb	3,478	-	3,478	-	-	-	-	-
Ibrahim Hassan Al Madhon	3,478	522	4,000	15.0%	-	-	-	-
Total	123,757,946	(131,574)	123,626,372	(0.1%)	-	-	-	-

Spouses and Minor Children	Number of Shares				Debt Instruments (SAR)			
	01.01.2012	Net Change	31.12.2012	% Change	01.01.2012	Net Change	31.12.2012	% Change
Wife of HH Prince Sultan bin Mohammed bin Saud Al Kabeer	2,516,182	-	2,516,182	-	-	-	-	-
Wife of Abdulrahman bin Abdulaziz Al Muhanna	19,130	-	19,130	-	-	-	-	-
Lama Abdulrahman bin Abdulaziz Al Muhanna	8,696	(8,696)	-	(100.0%)	-	-	-	-
Abdulaziz Abdulrahman bin Abdulaziz Al Muhanna	-	9,000	9,000	100.0%	-	-	-	-
Wife of Mosa Omran Mohammed Al Omran	184,347	-	184,347	-	-	-	-	-
Total	2,728,355	304	2,728,659	0.0%	-	-	-	-

Senior Management Disclosure

Senior Management	Number of Shares				Debt Instruments (SAR)			
	01.01.2012	Net Change	31.12.2012	% Change	01.01.2012	Net Change	31.12.2012	% Change
Abdulrahman A. Al Fadley	3,478	-	3,478	-	-	-	-	-
Abdullah M. Abdulkarim	173	-	173	-	-	-	-	-
Abdulrahman S. AlTuraigi	417	-	417	-	-	-	-	-
Georges P. Schorderet	95,652	5,348	101,000	5.6%	-	-	-	-
Paul Gay	-	217	217	100.0%	-	-	-	-
Andrew Mackie	12,763	-	12,763	-	-	-	-	-
Majed Nofel	173	-	173	-	-	-	-	-
Abdullah N. Al Bader	104	-	104	-	-	-	-	-
Total	112,760	5,565	118,325	4.9%	-	-	-	-

Related Party Transactions

During the normal course of its operations, the Group had the following significant transactions with related parties during the years ended 31 December 2012 and 31 December 2011 along with their balances:

Nature of Transaction*	2012	2011
Sales to:		
Savola Group	375.6	349.6
International Dairy & Juice Ltd.	14.2	88.0
International Pediatric Nutrition Co.	16.9	6.9
Total Sales	406.7	444.5
Purchases From:		
Savola Group		
Savola Packaging Systems Co. Ltd.	105.0	54.8
United Sugar Co.	119.5	117.1
Afia International	10.3	-
	<u>234.8</u>	<u>171.9</u>
Managed Arable Farm		
Al Kabeer Farms - Forage	50.3	49.8
Thodhia Farm - Forage	-	2.9
Rental Thodhia Farm - Dairy	0.8	0.8
	<u>51.1</u>	<u>53.5</u>
Arabian Shield Insurance Co.	46.1	45.6
Pure Breed Co.	12.3	5.8
Abdul Aziz Al Muhanna (Land Rent)	0.2	0.2
	<u>58.6</u>	<u>51.6</u>
Total Purchases	344.6	277.0

* SAR Million

Transactions for the year 2012

Member *	Nature of Dealing	Amount	Period	Conditions
Savola Group				
Savola Group	Product Sales	375.6	One Year	The Prevailing business conditions
Savola Packaging Systems Co. Ltd.	Packaging Purchasing	105.0	One Year	The Prevailing business conditions
United Sugar Company	Sugar Purchasing	119.5	One Year	The Prevailing business conditions
Afia International Company	Soya Bean Oil Purchasing	10.3	One Year	The Prevailing business conditions
Chairman/Prince Sultan bin Mohammed bin Saud Al Kabeer				
Al Kabeer Farms - Forage	Contract Management and Procurement Feed	50.3	One Year	The Prevailing business conditions
Rental Thodhia Farm - Dairy	Lease Contract	0.8	One Year	The Prevailing business conditions
Arabian Shield Insurance Co.	Insurance	46.1	One Year	The Prevailing business conditions
Mr. Abdulaziz Ibrahim Al Muhana				
Rent of Land for Distribution Center in Sharjah	Lease Contract	0.2	From 10th April 2001 to 9th April 2021	The Prevailing business conditions

* SAR Million

Pricing and terms of payment for these transactions are at arm's length and are reviewed annually at Board Meetings and the Annual General Meeting.

Segmental Reporting and Geographical Analysis

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai, Beyti and Teeba brands, bakery products under the brands L'usine and 7DAYS, poultry products under the Alyoum brand, arable and horticultural products as well as other activities. The investment in infant nutrition and Zain are included under other activities.

Selected financial information for the years ended 31 December 2012 and 2011, categorised by segments, are as follows:

Segmental Reporting*	Dairy & Juice	Bakery	Poultry	Arable & Horticulture	Other Activities	Almarai Group
2012						
Sales	7,988.4	1,290.6	504.4	386.0	-	10,169.4
Third Party Sales	7,972.7	1,290.6	504.4	115.3	-	9,883.0
Depreciation	(481.3)	(114.2)	(50.3)	(68.3)	-	(714.2)
Share of Results of Associates and Joint Ventures	(6.7)	-	4.3	-	(22.1)	(24.6)
Income before Minority Interest	1,371.8	171.8	(96.8)	30.9	(37.8)	1,439.9
Share of Net Assets in Associates and Joint Ventures	0.2	-	36.9	-	11.7	48.8
Additions to Non-Current Assets	2,594.3	180.5	1,833.2	21.6	109.3	4,738.9
Non-Current Assets	8,184.1	1,786.7	3,559.9	1,433.2	993.7	15,957.6
Total Assets	11,047.0	2,002.5	3,728.6	1,736.2	1,004.4	19,518.6
Total Liabilities	(10,050.0)	(233.5)	(287.5)	(243.7)	(533.0)	(11,347.7)
Return on Net Operating Assets	17.5%	17.8%	-4.4%	2.0%	n/a	9.8%
Return on Net Assets	16.3%	9.6%	-3.7%	1.9%	n/a	9.4%

* SAR Million

Segmental Reporting*	Dairy & Juice	Bakery	Poultry	Arable & Horticulture	Other Activities	Almarai Group
2011						
Sales	6,606.2	1,037.0	319.2	321.5	-	8,284.0
Third Party Sales	6,592.8	966.4	319.2	72.6	-	7,951.0
Depreciation	(331.1)	(90.3)	(39.0)	(58.7)	-	(519.1)
Share of Results of Associates and Joint Ventures	(24.0)	-	5.1	-	(23.4)	(42.3)
Impairment Loss	-	-	-	-	(160.2)	(160.2)
Income before Minority Interest	1,204.7	118.0	(33.5)	52.7	(195.0)	1,146.9
Share of Net Assets in Associates and Joint Ventures	489.7	-	34.7	-	10.3	534.7
Additions to Non-Current Assets	1,562.0	242.5	1,184.3	502.2	313.7	3,804.6
Non-Current Assets	7,046.8	1,745.5	1,770.0	1,471.1	1,030.2	13,063.6
Total Assets	9,064.8	1,920.1	1,938.0	1,699.6	1,034.0	15,656.4
Total Liabilities	(7,676.4)	(281.5)	(187.1)	(205.3)	(528.5)	(8,878.8)
Return on Net Operating Assets	20.3%	15.0%	-4.4%	4.1%	n/a	12.7%
Return on Net Assets	18.8%	7.6%	-2.9%	3.9%	n/a	10.5%

* SAR Million

The business activities and operating assets of the Group are mainly concentrated in the GCC.

Selected financial information as at 31 December 2012 and 2011, categorised by geographic segments are as follows:

Geographical Analysis*	Sales		Non-Current Assets	
	2012	2011	2012	2011
Saudi Arabia	6,650.6	5,656.4	14,053.0	12,003.3
Other GCC Countries	2,575.4	2,198.5	300.5	169.9
Other Countries	657.0	96.1	1,604.1	890.4
Total	9,883.0	7,951.0	15,957.6	13,063.6

* SAR Million

Subsidiaries

Name of Subsidiary	Country of Incorporation	Country of Operation	Business Activity	Direct and Beneficial Ownership Interest		Shares	
				2012	2011	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	n/a	Holding Company	100 %	100 %	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Saudi Arabia	Manufacturing and Trading Company	100 %	100 %	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Saudi Arabia	Poultry / Agricultural Company	100 %	100 %	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Saudi Arabia	Bakery Company	100 %	100 %	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	n/a	Holding Company	100 %	100 %	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Saudi Arabia	Bakery Company	60 %	60 %	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Saudi Arabia	Agricultural Company	52 %	52 %	SAR 25,000,000	250
Nourlac Company Limited	Saudi Arabia	n/a	Trading Company	100 %	0 %	SAR 3,000,000	3,000
Fondomonte El Descanso S.A.	Argentina	Argentina	Agricultural Company	100 %	100 %	ARG 27,475,914	27,475,914
Fondomonte Inversiones Argentina S.A.	Argentina	Argentina	Agricultural Company	100 %	100 %	ARG 17,849,997	17,849,997
Fondomonte Sandoval S.A.	Argentina	Argentina	Agricultural Company	100 %	100 %	ARG 4,383,432	4,383,432
Agro Terra S.A.	Argentina	n/a	Dormant	100 %	100 %	ARG 475,875	475,875
Almarai Company Bahrain S.P.C.	Bahrain	Bahrain	Sales Company	100 %	100 %	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	n/a	Holding Company	100 %	100 %	BHD 250,000	2,500
Almarai Investment Holding Company W.L.L.	Bahrain	n/a	Holding Company	100 %	100 %	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	n/a	Holding Company	52 %	48 %	BHD 250,000	2,500
International Dairy and Juice Limited	Bermuda	n/a	Holding Company	52 %	48 %	USD 7,000,000	7,000,000
International Dairy and Juice (Egypt) Limited	Egypt	n/a	Holding Company	52 %	48 %	EGP 50,000,000	5,000,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Egypt	Manufacturing and Trading Company	52 %	48 %	EGP 317,159,000	31,715,900
Markley Holdings Limited	Jersey	Jersey	Dormant	100 %	100 %	-	-
Teeba Investment for Developed Food Processing	Jordan	Jordan	Manufacturing Company	39 %	36 %	JOD 49,675,352	49,675,352
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Jordan	Manufacturing Company	39 %	36 %	JOD 500,000	500,000
Al Muthedoon for Dairy Production	Jordan	Jordan	Manufacturing Company	39 %	36 %	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Jordan	Agricultural Company	39 %	36 %	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Jordan	Jordan	Manufacturing Company	39 %	36 %	JOD 250,000	250,000
Blue Yulan S.A.	Luxembourg	n/a	Holding Company	0 %	100 %	USD 58,000,000	58,000,000
Arabian Planets for Trade and Marketing L.L.C.	Oman	Oman	Sales Company	90 %	90 %	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Oman	Sales Company	100 %	100 %	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	n/a	Holding Company	100 %	100 %	EUR 13,047,134	13,047,134
International Dairy and Juice (Dubai) Limited	United Arab Emirates	United Arab Emirates	Holding Company	52 %	48 %	USD 22,042,183	22,042,183
Almarai Emirates Company L.L.C.	United Arab Emirates	n/a	Sales Company	100 %	0 %	AED 300,000 (Unpaid)	300

Risk Management

Risk taking is an integral part of doing business. Risks are managed through the operational processes where risks are identified, probability of occurrence assessed and potential consequences estimated. Actions are then taken to reduce or mitigate the risk exposures and limit potential unfavourable consequences.

Risks are broadly categorised into operational risks and financial risks. Almarai's approach to risk management leverages the scale and diversity of our business activities and balances central co-ordination with well defined risk management responsibilities within each operational unit. Risk management tools such as reviews, policies, procedures and reports are in place on all major categories of risk including, but not limited to, overall business risk in the Company's operations, treasury risk (including currency and borrowing risks), procurement, insurance and litigation.

Further details on financial risk management can be seen in note 23 of the Consolidated Financial Statements.

Corporate Governance

Almarai is dedicated to maintaining the highest standards of quality and performance in all of its activities. This applies equally to the area of Corporate Governance, where the Group is committed to best practice principles in all of its dealings. The Group has a comprehensive Corporate Governance Manual setting out rules for directors and officers to adhere to, in order to protect and further the interests of the Company and its stakeholders. The Board of Directors, with the assistance of sub-committees like the Audit and Risk Committee, continually support strong corporate governance practices and regularly review the Group's governance and control practices.

The Company implemented all required provisions of the Corporate Governance Regulations issued by the CMA.

Audit and Risk Committee

The Audit and Risk Committee is a vital part of Almarai's commitment to strong Corporate Governance. The Committee is comprised of a Chairman with over a decade of related industry experience and three experienced non-executives. The Committee reports to the Almarai Board of Directors, formally submitting Committee minutes and detailed quarterly reports. The Committee has an annual plan of activity and met five times during 2012.

The Committee members are:

- a) Dr. Abdulrahman Al Turaigi, Chairman
- b) Dr. Muhammad A. H. Ikhwan
- c) Mr. Farraj Abo Thenian
- d) Mr. Sulaiman N. Alhatlan

The Committee maintains a close oversight of financial, governance and risk related matters in the Group, and monitors audit activities in order to gain sufficient comfort in the adequacy of internal control systems, the safeguards over the assets of the Group and the integrity of the Group's financial statements.

Almarai has a modern professional Internal Audit department that review controls and activities established by the Group to manage the risks that it has identified to its business objectives as set out in the Internal Audit Plan dated 1 January 2012, approved by the Audit and Risk Committee. The Internal Audit Plan is aligned to the three key themes of Corporate Governance, Risk Management and Internal Control. The Head of Internal Audit provides an annual statement

on the adequacy and effectiveness of the Group's Corporate Governance, Risk Management and Internal Control processes. In 2012 the statement confirmed that subject to the satisfactory progression of agreed action plans those activities and controls examined were suitably designed to achieve the objectives required by management and that those controls reviewed were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related objectives were achieved during 2012.

The Head of Internal Audit reports directly to the Audit and Risk Committee and formally presents the results of the Annual Plan of internal control reviews at least five times a year, with a summary audit opinion for the year at the first Audit and Risk Committee for the preceding year in the January meeting. The Audit and Risk Committee fully discharges its responsibilities as required in Article 14 of the Corporate Governance Regulations and in particular supervises the internal audit function in relation to the annual review of internal controls to ensure its effectiveness in executing activities and duties as specified by the Board. The effectiveness of Internal Audit is also monitored through the monthly reporting of the departments Balanced Scorecard that details 13 Key Performance Indicators. All internal control reports contain actions plans that are monitored for implementation by Internal Audit and the Audit and Risk Committee. The Internal Audit Annual Report is reviewed by the Audit and Risk Committee and is made available to the Board of Directors following the first Audit and Risk Committee of each calendar year.

Nomination and Remuneration Committee

In accordance with Capital Market Authority (CMA) requirements, Almarai has constituted a Nomination and Remuneration Committee, in line with the recommendations of the Board of Directors and the approval of the General Assembly. This committee met twice during the year 2012.

The committee members are:

- a) HH Prince Sultan bin Mohammed bin Saud Al Kabeer, Chairman
- b) Abdulrahman bin Abdulaziz Al Muhanna
- c) Mosa Omran Mohammed Al-Omran
- d) Abdulrahman Al Fadley

The Nomination and Remuneration Committee looks at the appointment, composition, capacity and remuneration of the Board of Directors and the senior management of the Group. The purpose of the committee is to ensure that the directors of the Company are able to oversee the affairs of the Group in the interests of all shareholders and that the remuneration paid to directors and senior management is appropriate for the roles performed.

Description	Executive Board Member	Non Executive/ Independent Board Member	Highest Paid Five Executives*
Salaries and Compensation	1,386,000	-	6,655,317
Allowances	486,000	356,800	834,000
Annual and Periodic Bonuses	1,200,000	1,600,000	11,785,818
Incentive Schemes	-	-	-
Compensation or benefits	260,000	1,360,000	460,000
Total	3,332,000	3,316,800	19,735,135

* Including CEO and CFO

Key Financial Highlights of the Last Five Years – Results, Assets, Liabilities and Key Indicators

Key Financial Highlights*	Year ended 31 December				
	2012	2011	2010	2009	2008
Operational Performance					
Total Sales	9,883	7,951	6,931	5,869	5,030
Cost of Sales	(6,372)	(4,954)	(4,195)	(3,503)	(3,031)
Gross Profit	3,511	2,997	2,736	2,366	1,999
Selling and Distribution expenses	(1,617)	(1,213)	(1,046)	(887)	(751)
General and Administration expenses	(221)	(266)	(230)	(200)	(187)
Share of Results of Associates and Joint Ventures	(25)	(42)	(6)	(2)	-
Impairment Loss	-	(160)	-	-	-
Financing Cost and Bank Charges	(157)	(135)	(121)	(148)	(125)
Income before Zakat	1,491	1,180	1,333	1,129	936
Zakat	(51)	(33)	(26)	(29)	(25)
Minority Interest	1	(7)	(22)	(3)	(1)
Net income	1,441	1,140	1,285	1,097	910
Balance Sheet					
Net Operating Working Capital	932	805	660	711	837
Property, Plant and Equipment	13,416	10,508	7,867	6,282	4,704
Biological Assets	901	818	770	735	639
Net Operating Assets	15,249	12,131	9,296	7,728	6,180
Intangible Assets - Goodwill	1,335	821	793	793	549
Investment and Financial Assets	295	907	981	995	529
Net Assets	16,880	13,859	11,071	9,517	7,258
Net Debt	8,305	6,749	4,679	3,951	3,499
Employee Termination Benefits	287	243	206	166	128
Deferred Tax (Net)	116	88	-	-	-
Total Equity	8,171	6,778	6,185	5,400	3,631
Net Capital Employed	16,880	13,859	11,071	9,517	7,258
Total Assets	19,519	15,656	12,571	10,987	8,181
Total Liabilities	11,348	8,879	6,386	5,587	4,550

* SAR Million

Key Financial Highlights	Year ended 31 December				
	2012	2011	2010	2009	2008
Cash Flow					
Cash Flow from Operating Activities	2,384	1,924	1,965	1,802	1,016
Cash Flow used in Investing activities	2,933	3,237	2,189	1,711	1,572
Dividend paid	512	516	455	380	270
Key Indicators					
Return on sales	14.6%	14.3%	18.5%	18.7%	18.1%
Return on Shareholders Equity*	20.2%	17.7%	22.3%	25.6%	27.3%
Return on Total Equity*	19.3%	17.7%	22.6%	26.9%	27.2%
Return on Net Operating Assets*	12.2%	14.2%	17.1%	18.7%	19.7%
Net debt to equity ratio	101.6%	99.6%	75.6%	73.2%	96.4%
Current ratio	96.8%	91.8%	115.0%	151.5%	136.5%
Revenue growth rate	24.3%	14.7%	18.1%	16.7%	33.4%
Dividends payout ratio	34.7%	45.4%	40.3%	41.9%	42.0%
Shares Issued (in millions)	400	400	400	384	379
Earnings per Share (SAR)**	3.60	2.85	3.21	2.86	2.40
Dividend Proposed	500	518	518	460	382

* SAR Million

* 2009 calculated on quarterly average as a result of the HADCO acquisition. All other years based on average of opening and closing balances

** Based on 400 million shares.

General Assembly Meeting

The Extraordinary general Assembly Meeting will take place on 2nd of April 2013 at the Riyadh Holiday Inn Al Izdehar Hotel - Al Lula'ah Hall at 7:00 p.m.

Certification

We certify that:

- Proper books of account have been maintained;
- The system of internal control is sound in design and has been effectively implemented; and
- There are no significant doubts concerning the Group's ability to continue as a going concern.

Board of Directors

25 February 2013

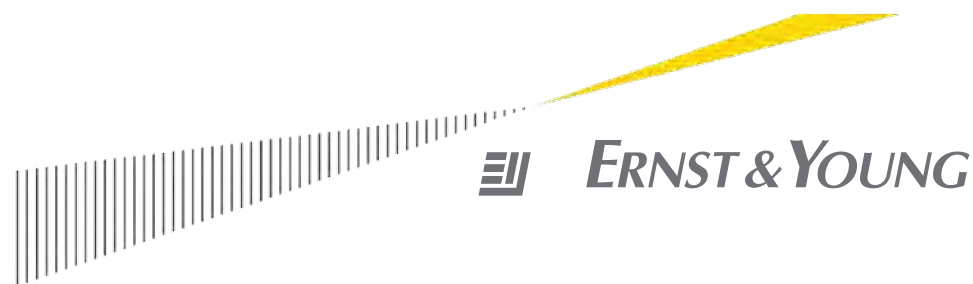
Almarai







Auditor's Report



AUDITORS' REPORT TO THE SHAREHOLDERS
OF ALMARAI COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying consolidated balance sheet of Almarai Company, a Saudi Joint Stock Company (the "Company"), and its subsidiaries (the "Group") as of 31 December 2012 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

UNQUALIFIED OPINION:

In our opinion, the consolidated financial statements taken as a whole:

- i) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277
Riyadh: 5 Rabi Awal 1434H
(17 January 2013)



Consolidated Balance Sheet as at 31 December 2012

SAR '000	Notes	2012	Restated Note 4 2011
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	417,304	271,979
Derivative Financial Instruments	24	34,934	109
Receivables and Prepayments	6	791,688	623,756
Inventories	7	<u>2,317,097</u>	<u>1,696,998</u>
Total Current Assets		<u>3,561,023</u>	<u>2,592,842</u>
Non Current Assets			
Investments and Financial Assets	8	244,327	852,746
Property, Plant and Equipment	9	13,415,836	10,508,181
Biological Assets	10	901,029	817,618
Intangible Assets - Goodwill	11	1,335,455	821,263
Deferred Charges		50,756	53,836
Deferred Tax Asset		<u>10,222</u>	<u>9,940</u>
Total Non Current Assets		<u>15,957,625</u>	<u>13,063,584</u>
TOTAL ASSETS		<u>19,518,648</u>	<u>15,656,426</u>

SAR '000	Notes	2012	Restated Note 4 2011
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Short Term Loans	12	1,399,818	1,208,501
Payables and Accruals	13	<u>2,176,575</u>	<u>1,515,772</u>
Derivative Financial Instruments	24	<u>102,977</u>	<u>96,374</u>
Total Current Liabilities		<u>3,679,370</u>	<u>2,820,647</u>
Non Current Liabilities			
Long Term Loans	12	7,254,743	5,716,663
Employees' Termination Benefits		<u>287,056</u>	<u>243,481</u>
Deferred Tax Liability		<u>126,489</u>	<u>97,983</u>
Total Non Current Liabilities		<u>7,668,288</u>	<u>6,058,127</u>
TOTAL LIABILITIES		<u>11,347,658</u>	<u>8,878,774</u>
EQUITY			
Shareholders' Equity			
Share Capital	14	4,000,000	2,300,000
Share Premium		-	1,600,500
Statutory Reserve		912,917	768,854
Other Reserves		(189,861)	(95,238)
Treasury Shares		(95,282)	(97,757)
Retained Earnings		<u>2,921,667</u>	<u>2,242,102</u>
Total Shareholders' Equity		<u>7,549,441</u>	<u>6,718,461</u>
Minority Interest		<u>621,549</u>	<u>59,191</u>
TOTAL EQUITY		<u>8,170,990</u>	<u>6,777,652</u>
TOTAL LIABILITIES AND EQUITY		<u>19,518,648</u>	<u>15,656,426</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Income for the Year Ended 31 December 2012

SAR '000	Notes	2012	2011
Sales	15	9,882,996	7,950,989
Cost of Sales	16	(6,371,919)	(4,954,469)
Gross Profit		3,511,077	2,996,520
Selling and Distribution Expenses	17	(1,616,749)	(1,213,232)
General and Administration Expenses	18	(221,402)	(265,678)
Net Operating Income		1,672,926	1,517,610
Share of Results of Associates and Joint Ventures	8	(24,583)	(42,298)
Finance Charges		(157,487)	(134,965)
Income from Main Operations		1,490,856	1,340,347
Impairment Loss		-	(160,237)
Income before Zakat, Income Tax and Minority Interest		1,490,856	1,180,110
Zakat and Income Tax	20	(50,946)	(33,173)
Income before Minority Interest		1,439,910	1,146,937
Minority Interest		718	(7,423)
Net Income for the Year		<u>1,440,628</u>	<u>1,139,514</u>
Earnings per Share (SAR)	21		
Attributable to Income from Main Operations		<u>3.73</u>	<u>3.35</u>
Attributable to Net Income for the Year		<u>3.60</u>	<u>2.85</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2012

SAR '000	Notes	2012	Restated 2011
Operating Activities			
Net Income for the Year		1,440,628	1,139,514
Adjustments for:			
Depreciation of Property, Plant and Equipment	22	924,861	732,730
Net Appreciation of Biological Assets	22	(210,708)	(213,636)
Profit on Sale of Property, Plant and Equipment	22	(77,122)	(8,471)
Loss on Sale of Biological Assets	22	46,758	62,151
Impairment Loss			160,237
Finance Charges Accrued		157,487	134,965
Share of Results of Associates and Joint Ventures		24,583	42,298
Change in Employees' Termination Benefits		43,575	37,393
Share Based Payment Expense		6,227	1,027
Share of Minority Interest in Net Income of Consolidated Subsidiaries		(718)	7,423
Changes in:			
Receivables and Prepayments		(91,133)	9,595
Inventories		(504,542)	(386,107)
Deferred Tax		(637)	-
Payables and Accruals		625,183	204,898
Cash Flows from Operating Activities		2,384,442	1,924,017

SAR '000	Notes	2012	Restated 2011
Investing Activities			
Additions to Property, Plant and Equipment	9	(3,137,978)	(3,035,332)
Additions to Biological Assets	10	(44,222)	(19,358)
Proceeds from the Sale of Property, Plant and Equipment	22	98,144	23,528
Proceeds from the Sale of Biological Assets	22	147,599	123,646
Acquisition of Investments and Financial Assets	8	(23,501)	(17,500)
Acquisition of Subsidiaries, Net of Cash Acquired	4	24,905	(315,580)
Dividend received from an Associate		2,134	3,139
Cash Flows used in Investing Activities		(2,932,919)	(3,237,457)
Financing Activities			
Net Increase in Loans		1,480,924	2,077,529
Dividends Paid		(511,842)	(515,640)
Distribution to Minority Interests		(784)	-
Finance Charges Paid		(277,576)	(89,177)
Purchase of Treasury Shares		-	(97,757)
Change in Deferred Charges		3,080	(30,286)
Cash Flows from Financing Activities		693,802	1,344,669
Increase in Cash and Cash Equivalents		145,325	31,229
Cash and Cash Equivalents at 1 January		271,979	240,750
Cash and Cash Equivalents at 31 December		417,305	271,979

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2012

SAR '000	Attributable to equity holders of the parent								
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Treasury Shares	Retained Earnings	Total Shareholder's Equity	Minority Interest	Total Equity
Balance at 1 January 2011	2,300,000	1,600,500	654,903	(155,828)	-	1,734,039	6,133,614	51,768	6,185,382
Net Income for the Year	-	-	-	-	-	1,139,514	1,139,514	7,423	1,146,937
Transfers from Retained Earnings	-	-	113,951	-	-	(113,951)	-	-	-
Purchase of Treasury Shares	-	-	-	-	(97,757)	-	(97,757)	-	(97,757)
Share Based Payment Transactions	-	-	-	1,027	-	-	1,027	-	1,027
Net Movement on Financial Investments	-	-	-	83,237	-	-	83,237	-	83,237
Dividends Approved	-	-	-	-	-	(517,500)	(517,500)	-	(517,500)
Net Movement on Cash Flow Hedges	-	-	-	(23,674)	-	-	(23,674)	-	(23,674)
Balance at 31 December 2011	2,300,000	1,600,500	768,854	(95,238)	(97,757)	2,242,102	6,718,461	59,191	6,777,652
Net Income for the Year	-	-	-	-	-	1,440,628	1,440,628	(718)	1,439,910
Transfers from Retained Earnings	-	-	144,063	-	-	(144,063)	-	-	-
Acquisition of Subsidiaries	-	-	-	-	-	-	-	563,860	563,860
Net Movement on Treasury Shares	-	-	-	-	2,475	-	2,475	-	2,475
Share Based Payment Transactions	-	-	-	6,227	-	-	6,227	-	6,227
Net Movement on Financial Investments	-	-	-	(122,444)	-	-	(122,444)	-	(122,444)
Distribution to Minority Interests	-	-	-	-	-	-	-	(784)	(784)
Dividends Approved	-	-	-	-	-	(517,500)	(517,500)	-	(517,500)
Net Movement on Cash Flow Hedges	-	-	-	28,221	-	-	28,221	-	28,221
Bonus Share Issue	1,700,000	(1,600,500)	-	-	-	99,500	-	-	-
Currency Translation Adjustment	-	-	-	(6,627)	-	-	(6,627)	-	(6,627)
Balance at 31 December 2012	4,000,000	-	912,917	(189,861)	(95,282)	2,921,667	7,549,441	621,549	8,170,990

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 - The Company, its Subsidiaries and its Business Description

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dl' Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business traded between 1976 and 1991 under the Almarai brand name.

The Company and its subsidiaries (together, "the Group") are a major integrated consumer food group in the Middle East with leading market shares in Saudi Arabia and the neighbouring Gulf Cooperation Council (GCC) countries.

The dairy, fruit juices and related food business is operated under the Almarai, Beyti and Teeba brand names. All raw milk production and related processing along with dairy food manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates (UAE), Egypt and Jordan. Final consumer products are distributed from the manufacturing facilities in these countries to local distribution centres by the Group's long haul distribution fleet.

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Limited under the brand names L'usine and 7 Days respectively. International Baking Services Company Limited has ceased trading. These are Limited Liability companies registered in Saudi Arabia and based in Jeddah.

Poultry products are manufactured and traded by Hail Agricultural Development Company (HADCO) under the Alyoum brand. HADCO is a closed joint stock company registered in Saudi Arabia and based in Hail. Almarai Baby Food Company Limited is a limited liability company registered in Saudi Arabia. It owns a modern infant formula manufacturing plant in Al Kharj, which is leased to International Pediatric Nutrition Company (a joint venture between Mead Johnson and the Company).

The distribution centres in the GCC countries (except for Bahrain and Oman) are managed by the Group and operate within Distributor Agency Agreements as follows:

Kuwait	- Al Kharafi Brothers Dairy Products Company Limited
Qatar	- Khalid for Foodstuff and Trading Company
United Arab Emirates	- Bustan Al Khaleej Establishment

The Group operates in Bahrain through its subsidiary Almarai Company Bahrain S.P.C and in Oman through its subsidiaries Arabian Planets for Trade and Marketing L.L.C. and Alyoum for Food Products Company L.L.C.

The Group owns and operates arable farms in Argentina through three of its Argentinean subsidiaries Fondomonte Inversiones Argentina S.A., Fondomonte El Descanso S.A. and Fondomonte Sandoval S.A.

The Group's Head Office is located at the following address:

Exit 7, North Circle Road
Al Izdihar District
P.O. Box 8524
Riyadh 11492
Saudi Arabia

On 10 Safar 1433 A.H. (4 January 2012) Almarai Emirates Company L.L.C (UAE) was incorporated (which is 100% owned by the Group) for the purpose of trading in United Arab Emirates. Trading has not yet commenced.

On 5 Jumad Awwal 1433 A.H. (28 March 2012) the Company, through its subsidiary Almarai Investment Holding Company W.L.L., increased its shareholding in International Dairy and Juice Limited (IDJ) from 48% to 52% through an equity contribution of USD 22.4 million (SAR 83.8 million). IDJ was incorporated on 14 February 2009 between the Company and PepsiCo, focusing on new business opportunities in dairy and juice products in the Middle East, Africa and Southeast Asia excluding the GCC countries. IDJ's main businesses are the dairy and juice activities of the IDJ operating companies in Egypt and Jordan, as well as exporting Almarai products into the IDJ designated territories.

On 10 Shaaban 1433 A.H. (10 July 2012) Nourlac Company Limited was incorporated (which is 100% owned by the Group) for the purpose of trading infant formula. Trading has not yet commenced.

1 - The Company, its Subsidiaries and its Business Description - continued

On 6 Safar 1434 A.H. (19 December 2012), Almarai Investment Holding Company W.L.L., a subsidiary of the Company and the sole shareholder of Blue Yulan S.A. resolved to appoint a liquidator. This holding company is superfluous to the Group structure requirements and the ownership and trading activities of Fondomonte remained within the Group.

All assets and liabilities of Blue Yulan S.A. have been taken over and absorbed by Almarai Investment Holding Company W.L.L. and the liquidation was completed on 15 Safar 1434. A.H. (28 December 2012).

Details of the subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Direct and Beneficial Ownership Interest		Shares	
				2012	2011	Capital	Issued
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR	100 %	100 %	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	SAR	100 %	100 %	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100 %	100 %	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR	100 %	100 %	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	Holding Company	SAR	100 %	100 %	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Bakery Company	SAR	60 %	60 %	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR	52 %	52 %	SAR 25,000,000	250
Nourlac Company Limited	Saudi Arabia	Trading Company	SAR	100 %	-	SAR 3,000,000	3,000
Fondomonte El Descanso S.A.	Argentina	Agricultural Company	ARG	100 %	100 %	ARG 27,475,914	27,475,914
Fondomonte Inversiones Argentina S.A.	Argentina	Agricultural Company	ARG	100 %	100 %	ARG 17,849,997	17,849,997
Fondomonte Sandoval S.A.	Argentina	Agricultural Company	ARG	100 %	100 %	ARG 4,383,432	4,383,432
Agro Terra S.A.	Argentina	Dormant	ARG	100 %	100 %	ARG 475,875	475,875
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	BHD	100 %	100 %	BHD 100,000	1,000
Almarai International Holding W.L.L.	Bahrain	Holding Company	BHD	100 %	100 %	BHD 250,000	2,500
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD	100 %	100 %	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD	52 %	48%	BHD 250,000	2,500

Notes to the Consolidated Financial Statements

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Direct and Beneficial Ownership Interest		Shares	
				2012	2011	Capital	Issued
International Dairy and Juice Limited	Bermuda	Holding Company	USD	52 %	48 %	USD 7,000,000	7,000,000
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP	52 %	48 %	EGP 50,000,000	5,000,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing & Trading Company	EGP	52 %	48 %	EGP 317,159,000	31,715,900
Markley Holdings Limited	Jersey	Dormant	GBP	100 %	100 %	-	-
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD	39 %	36 %	JOD 49,675,352	49,675,352
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD	39 %	36 %	JOD 500,000	500,000
Al Muthedoon for Dairy Production	Jordan	Manufacturing Company	JOD	39 %	36 %	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Agricultural Company	JOD	39 %	36 %	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Jordan	Manufacturing Company	JOD	39 %	36 %	JOD 250,000	250,000
Blue Yulan S.A.	Luxembourg	Holding Company	EUR	-	100 %	USD 58,000,000	58,000,000
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	OMR	90 %	90 %	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Sales Company	OMR	100 %	100 %	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR	100 %	100 %	EUR 13,047,134	13,047,134
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	AED	52 %	48 %	USD 22,042,183	22,042,183
Almarai Emirates Company L.L.C.	United Arab Emirates	Sales Company	AED	100 %	-	AED 300,000 (Unpaid)	300

2 - Basis of Accounting, Preparation, Consolidation and Presentation of Consolidated Financial Statements

(a) The consolidated financial statements have been prepared on the accrual basis under the historical cost convention (except for derivative financial instruments and investments that have been measured at fair value) and in compliance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).

(b) When necessary, prior period comparatives have been regrouped or adjusted on a basis consistent with current period classification.

(c) These consolidated financial statements include assets, liabilities and the results of the operations of Almarai Company ("the Company") and its subsidiaries ("the Group") as set out in note (1) above. A subsidiary company is that in which the Company has, directly or indirectly, a long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Company obtains control until the date that control ceases. The consolidated financial statements are prepared on the basis of the individual financial statements of the Company and the financial statements of its subsidiaries, as adjusted by the elimination of all significant inter group balances and transactions. The Company and its Subsidiaries have identical reporting periods. Minority interests represent the portion of profit or loss and net assets not controlled by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet.

(d) The figures in these consolidated financial statements are rounded to the nearest thousand.

3 - Significant Accounting Policies

A. Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting standards generally accepted in Saudi Arabia, requires the use of estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the balance sheet date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

B. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of cash at bank, cash on hand, and short-term deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

C. Accounts Receivable

Accounts receivable are carried at the original invoiced amount less any provision made for doubtful debts. Provision is made for all debts for which the collection is considered doubtful

or which are more than three months due. Bad debts are written off as incurred.

D. Inventory Valuation

Inventory is stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure based on the normal level of activity. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

E. Investments in Securities

Investments in securities are measured and carried in the consolidated balance sheet at fair value with unrealised gains or losses recognised directly in equity. When the investment is disposed of or impaired the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of income. Where there is no market for the investments, cost is taken as the most appropriate, objective and reliable measurement of fair value of the investments.

F. Investment in Associates and Joint Ventures

The investments in associates and joint ventures are accounted for under the equity method of accounting when the Company exercises significant influence over the entity and where the entity is not a subsidiary. Investments in associates and joint ventures are carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associates and joint ventures less any impairment in value. The consolidated statement of income reflects the Company's share of the results of its associates and joint ventures. Unrealized gains and losses resulting from transactions between the Company, its associates and joint ventures are eliminated to the extent of the Company's interest in the associates and joint ventures.

G. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and depreciated on a straight line basis according to the following useful economic lives:

Buildings	5 – 33 years
Plant, Machinery and Equipment	1 – 20 years
Motor Vehicles	6 – 8 years
Land and Capital Work in Progress	are not depreciated.

H. Biological Assets

Biological assets are stated at cost of purchase or at the cost of rearing or growing to the point of commercial production, less accumulated depreciation. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age.

Biological assets are depreciated on a straight line basis to their estimated residual value based on commercial production periods ranging from 36 weeks to 50 years summarized below:

Dairy Herd	4 years
Plantations	12 – 50 years
Poultry Flock	36 weeks

I. Impairment

The carrying values of property, plant and equipment, biological assets and investments and financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are expensed in the consolidated statement of income.

For property, plant and equipment and biological assets, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income.

J. Intangibles - Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

K. Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

L. Zakat and Income Tax

Zakat is provided for in the consolidated financial statements on the basis of an estimated Zakat assessment carried out in accordance with Saudi Department of Zakat and Income Tax (DZIT) regulations. Income tax for foreign entities is provided for in the consolidated financial statements on the basis of an estimated income tax assessment carried out in accordance with the relevant income tax regulations of the countries in which they operate. Adjustments arising from final Zakat and income tax assessments are recorded in the period in which such assessments are made.

M. Deferred Tax

Deferred income tax is provided for foreign subsidiaries, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is

settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

N. Derivative Financial Instruments and Hedging

Forward foreign exchange contracts are entered into to hedge exposure to changes in currency rates on purchases and other expenditures of the Group.

Commission rate swap agreements are entered into to hedge the exposure to commission rate changes of the Group's borrowings.

Forward purchase commodity contracts are entered into to hedge exposure to changes in the price of commodities used by the Group.

All hedges are expected to be in the range of 80 – 125% effective and are assessed on an ongoing basis. All hedges are treated as cash flow hedges and gains / losses at market valuation are recorded as derivative financial instruments in the consolidated balance sheet and taken to other reserves in Shareholders' Equity. When the hedging instrument matures or expires any associated gain or loss in Other Reserves is reclassified to the consolidated statement of income, or the underlying asset purchased that was subject to the hedge.

O. Employees' Termination Benefits

Employees' termination benefits are payable as a lump sum to all employees employed under the terms and conditions of the respective GCC Labour and Workman Laws on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on the employees' final salaries and allowances and their cumulative years of service, in compliance with the conditions stated in the laws of the respective GCC countries.

P. Statutory Reserve

In accordance with its by-laws and the Regulations for Companies in Saudi Arabia, the Company is required each year to transfer 10% of its net income to a Statutory Reserve until such reserve equals 50% of its share capital. This Statutory Reserve is not available for distribution to Shareholders.

Q. Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Any share options, as contemplated in the following

paragraph exercised during a reporting period, are satisfied with treasury shares.

R. Share Based Payment Transactions

Employees of the Company receive remuneration in the form of share based payment transactions under the Employee Stock Participation Program, whereby employees render services as consideration for the option to purchase equity instruments at a predetermined price (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in other capital reserves, in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in Employee Costs.

When the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of the modification.

When an equity settled award is terminated, it is treated as if it vested on the date of termination, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the terminated award, and designated as a replacement award on the date that it is granted, the terminated and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

S. Conversion of Foreign Currency Transactions

During the financial period foreign currency transactions are converted and booked in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the consolidated statement of income as appropriate.

The functional currencies of foreign subsidiaries are listed in note 1. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the functional and presentation currency of the Group, Saudi Riyal (SAR), at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the period. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded as a separate component of shareholders' equity.

T. Revenue Recognition

Products are sold principally on a sale or return basis. Revenue is recognised on delivery of products to customers by the Group or its distributors, at which time risk and reward passes, subject to the physical return of expired products. Adjustment is made in respect of known actual returns.

Revenue from the sale of wheat guaranteed to be sold to the Government is recognised upon completion of harvest but the profit on any undelivered quantities is deferred until delivered to the Government.

U. Government Grants

Government grants are recognized when there is a reasonable assurance that they will be received from the state authority. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

V. Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales as required under accounting standards generally accepted in Saudi Arabia. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Group charges payments in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

W. Management Fees

The fees charged in respect of the management of Arable Farms are credited to General and Administration Expenses.

X. Operating Leases

Rentals in respect of operating leases are charged to the consolidated statement of income over the terms of the leases.

Y. Borrowing Costs

Borrowing costs that are directly attributable to the construction of an asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of income.

Z. Segmental Reporting

A segment is a distinguishable component of the group that is engaged either in selling/providing products or services (a business segment) or in selling/providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

4 - Business Combination

Acquisition of Blue Yulan S.A.

On 23 Muharram 1433 A.H. (19 December 2011) the company, through its subsidiary Almarai Investment Holding Company W.L.L., acquired 100% of the outstanding share capital of Blue Yulan S.A. for a cash consideration of SAR 313.8 million (USD 83.5 million).

The assets and liabilities of Blue Yulan S.A. as at acquisition date are consolidated by the Group. The net assets recognised in the 31 December 2011 financial statements were based on a provisional assessment and after the final purchase price allocation carried out by management the balances have been restated. The final purchase price allocation was based on audited financial statements. The Group has restated and accounted for the transaction based on the carrying values of the assets and liabilities (with the exception of land) as of the acquisition date which is summarised below. There is no change to the prior year net income.

SAR '000	Fair Value Recognized on Acquisition Dec 2011 (Final)	Fair Value Recognized on Acquisition Dec 2011 (Provisional)
Assets		
Land and Buildings	352,592	352,518
Other Property, Plant and Equipment	1,405	1,405
Biological Assets	916	916
Deferred Tax Asset	9,940	8,630
Inventories	11,554	11,341
Receivables and Prepayments	10,182	13,270
Bank Balances and Cash	5,913	5,913
	392,502	393,993
Liabilities		
Payables and Accruals	(8,057)	(7,193)
Short Term Loans	(432)	(432)
Deferred Tax Liability	(97,983)	(97,983)
	(106,472)	(105,608)
Total Identifiable Net Assets at Fair Value	286,030	288,385
Goodwill Arising on Acquisition	27,795	33,108
Purchase Consideration Transferred	313,825	321,493
Total Acquisition Cost:		
Cash Consideration	313,825	312,080
Costs Associated with the Acquisition	-	9,413
Total	313,825	321,493
Cash Outflow on Acquisition:		
Net Cash Acquired with the Subsidiaries	5,913	5,913
Cash Paid	(313,825)	(321,493)
Net Cash Outflow	(307,912)	(315,580)

Step Acquisition of International Dairy and Juice Limited ("IDJ")

On 5 Jumad Awal 1433 A.H. (28 March 2012) the Company, through its subsidiary Almarai Investment Holding Company W.L.L., increased its shareholding in IDJ from 48% to 52% through an equity contribution of USD 22.4 million (SAR 83.8 million). These consolidated financial statements include the results of IDJ from 1 March 2012, as the Company effectively obtained control of IDJ from that date. If the combination had taken place at the beginning of the period, the net operating income would have been lower by SAR 6.4 million and the net income of the Group would have been lower by SAR 0.3 million.

The fair value of identifiable assets and liabilities of IDJ as at the date of acquisition were as follows:

SAR '000	Fair Value Recognized on Acquisition Mar 2012 (Final)	Fair Value Recognized on Acquisition Mar 2012 (Provisional)
Assets		
Property, Plant and Equipment	640,468	659,757
Biological Assets	22,838	22,941
Intangible Assets - Goodwill	443,212	517,355
Deferred Tax Asset	-	3,457
Inventories	115,557	109,288
Receivables and Prepayments	76,799	136,306
Bank Balances and Cash	108,718	100,821
	1,407,592	1,549,925
Liabilities		
Short Term Loans	(248,473)	(225,527)
Payables and Accruals	(66,976)	(98,033)
Derivative Financial Instruments	(3,829)	(3,829)
Deferred Tax Liability	(28,861)	(47,811)
	(348,139)	(375,200)
Non Controlling Interest of Teeba	(40,870)	(129,522)
Total Identifiable Net Assets at Fair Value	1,018,583	1,045,203
Non Controlling Interest of IDJ	(522,990)	(522,990)
Goodwill Arising on Acquisition	70,980	44,360
Purchase Consideration Transferred	566,573	566,573
Total Acquisition Cost:		
Cash Consideration	83,813	83,813
Fair Value of Previously Held Equity Interest	482,760	482,760
Total	566,573	566,573
Cash Inflow on Acquisition:		
Net Cash Acquired with the Subsidiaries	108,718	100,821
Cash Paid	(83,813)	(83,813)
Net Cash Inflow	24,905	17,008

5 - Cash and Cash Equivalents

SAR '000	2012	2011
Cash at Bank	308,831	178,607
Cash in Hand	108,473	93,372
Total	417,304	271,979

SAR '000	2012	2011
Provision for Impairment of Trade Accounts Receivables		
Balance at 1 January	23,786	38,135
Provisions released during the year	(3,953)	(14,433)
On acquisition of subsidiary	19,106	84
Balance at 31 December	38,939	23,786

6 - Receivables and Repayments

SAR '000	2012	2011 Restated
Trade Accounts Receivable - Third Parties	591,649	499,912
- Related Parties (Refer note 27)	72,736	37,781
	664,385	537,693
Less: Provision for impairment of trade receivables	(38,939)	(23,786)
Less: Provision for sales returns	(26,570)	(24,315)
Net Accounts Receivable	598,876	489,592
Prepayments	192,812	134,164
Total	791,688	623,756

SAR '000	2012	2011
Trade Accounts Receivable		
Up to 3 months	620,556	513,907
More than 3 months	38,939	23,786
Total	659,495	537,693

(a) The Group's policy is to provide 100% impairment provision for all trade receivables due over three months. As at 31 December 2012, trade receivables more than three months due and impaired were SAR 38.9 million (2011: SAR 23.8 million). Movement in the group provision for impairment of trade receivables was as follows:

(b) Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

(c) Provision for sales returns is calculated based on the forecasted return of expired products in line with the Group's product return policy.

7 - Inventories

SAR '000	2012	2011 Restated
Raw Materials	1,783,060	1,312,655
Finished Goods	254,375	194,421
Spares	166,771	114,175
Work in Progress	112,891	75,747
Total	<u>2,317,097</u>	<u>1,696,998</u>

8 - Investments and Financial Assets

The Investments in associated companies, joint ventures and securities comprise of the following:

SAR '000	2012		2011	
Investments in Associates and Joint Ventures	2012	2011		
International Dairy and Juice Limited	52.0 %	48.0 %	-	489,500
Pure Breed Company	21.5 %	21.5 %	36,886	34,723
International Pediatric Nutrition Company	50.0 %	50.0 %	11,679	10,318
Almarai Company W.L.L.	50.0 %	50.0 %	204	204
			48,769	534,745
Investments in Securities	2012	2011		
Zain Equity Investment	2.1 %	2.5 %	181,394	194,250
Zain Subordinated Founding Shareholders' Loan	-	-	-	109,587
Jannat for Agricultural Investment Company	10.0 %	10.9 %	7,000	7,000
National Company for Tourism	1.1 %	1.1 %	4,500	4,500
National Seeds and Agricultural Services Company	7.0 %	7.0 %	2,064	2,064
United Dairy Farms Company	8.3 %	8.3 %	600	600
			195,558	318,001
Total			<u>244,327</u>	<u>852,746</u>

8 - Investments and Financial Assets - continued

(a) The investment in associated companies and joint ventures comprises the following:

SAR '000	2012	2011
International Dairy & Juice Limited		
Opening Balance	489,500	513,485
Less : Share of Results for the year	(6,740)	(23,985)
Less : Transfer to consolidated subsidiary (Refer note 4)	(482,760)	-
Closing Balance	<u>-</u>	<u>489,500</u>
Pure Breed Company		
Opening Balance	34,723	32,764
Add : Share of Results for the year	4,297	5,098
Less : Distributions	(2,134)	(3,139)
Closing Balance	<u>36,886</u>	<u>34,723</u>
International Pediatric Nutrition Company		
Opening Balance	10,318	16,229
Add : Capital Introduced	23,501	17,500
Less : Share of Results for the year	(22,140)	(23,411)
Closing Balance	<u>11,679</u>	<u>10,318</u>
Almarai Company W.L.L.		
Opening Balance	204	204
Closing Balance	<u>204</u>	<u>204</u>

(b) On 5 Jumad Awal 1433 A.H. (28 March 2012) the Company increased its shareholding in IDJ from 48% to 52% through an equity contribution of USD 22.4 million (SAR 83.8 million). This step acquisition results in the Group fully consolidating IDJ's financial statements as a subsidiary instead of equity accounting its investment in an associate. The carrying value of the associate must be revalued to fair value with any variance being recognised in the consolidated statement of income. Accordingly, the Group has recognised a revaluation gain of SAR 27.2 million which has been included in Share of Results of Associates and Joint Ventures.

(c) The Zain equity investment of 23.0 million shares at a par value of SAR 10 per share is measured at fair value based on a quoted market price for the shares on the Saudi Arabian (Tadawul) stock exchange at 31 December 2012 of SAR 7.90. This has resulted in an unrealised loss of SAR 122.4 million which is shown within other reserves in Shareholders' Equity. On 14 Shabaan 1433 A.H. (4 July 2012), the Board of Directors' of Zain agreed to decrease the share capital from SAR 14.0 billion to SAR 4.8 billion and accordingly to decrease the number of shares from 1.4 billion to 480.1 million to offset the Company's accumulated deficit up to 30 September 2011. As a result the Company's shares in Zain decreased from 35.0 million shares to 12.0 million shares. Further, the founding shareholders of Zain agreed to convert their respective founding Shareholders' loans from debt into equity by way of a rights issue from Zain. The increased share capital has also been pledged for and on behalf of the preferred creditors. This resulted in the number of shares increasing from 12.0 million shares to 23.0 million shares.

(d) All other investments in securities are stated at cost less impairment.

9 - Property, Plant and Equipment

SAR '000	Land and Buildings (a)	Plant, Machinery Equipment &	Motor Vehicles	Capital Work-in-Progress (b)	Total 2012	Restated Total 2011
Cost						
At the beginning of the year (Restated)	4,429,812	5,540,974	1,237,147	3,188,844	14,396,777	11,141,206
On acquisition of subsidiaries	353,724	428,763	51,124	38,889	872,500	363,504
Additions during the year	-	-	-	3,213,069	3,213,069	3,035,332
Transfers during the year	696,945	1,163,733	387,475	(2,248,153)	-	-
Disposals during the year	(10,755)	(137,862)	(110,676)	-	(259,293)	(202,739)
Reclassification	-	-	-	-	-	59,474
At the end of the year	5,469,726	6,995,608	1,565,070	4,192,649	18,223,053	14,396,777
Accumulated Depreciation						
At the beginning of the year	769,879	2,478,544	640,173	-	3,888,596	3,274,567
On acquisition of subsidiaries	34,574	173,521	23,936	-	232,031	9,507
Depreciation for the year	170,438	569,394	185,029	-	924,861	732,730
Disposals during the year	(5,055)	(130,887)	(102,329)	-	(238,271)	(187,682)
Reclassification	-	-	-	-	-	59,474
At the end of the year	969,836	3,090,572	746,809	-	4,807,217	3,888,596
Net Book Value						
At 31 December 2012	4,499,890	3,905,036	818,261	4,192,649	13,415,836	
At 31 December 2011 (Restated)	3,659,933	3,062,430	596,974	3,188,844		10,508,181

(a) Land & Buildings include land granted to a subsidiary of the company at a historic fair value of SAR 61.0 million.

(b) Capital Work-in-Progress includes SAR 75.1 million of borrowing costs capitalised during the year (2011: SAR 56.7 million).

10 - Biological Assets

SAR '000	Mature Dairy	Immature Dairy	Mature Poultry	Immature Poultry	Mature Plantations	Immature Plantations	Total 2012	Total 2011
Cost								
At the beginning of the year	716,131	313,861	10,330	3,959	35,577	9,704	1,089,562	1,033,156
On acquisition of subsidiaries	25,475	-	-	-	-	-	25,475	916
Additions during the year	188	-	-	42,654	-	1,380	44,222	19,358
Appreciation	76	351,468	-	-	-	-	351,544	337,047
Transfers during the year	258,800	(258,800)	27,237	(27,237)	2,134	(2,134)	-	-
Disposals during the year	(205,213)	(81,302)	(25,964)	-	-	-	(312,479)	(303,265)
Reclassification	-	-	-	-	-	-	-	2,350
At the end of the year	795,457	325,227	11,603	19,376	37,711	8,950	1,198,324	1,089,562
Accumulated Depreciation								
At the beginning of the year	262,749	-	4,140	-	5,055	-	271,944	263,651
On acquisition of subsidiaries	2,637	-	-	-	-	-	2,637	-
Depreciation for the year	119,826	-	20,276	-	734	-	140,836	123,411
Disposals during the year	(97,094)	-	(21,028)	-	-	-	(118,122)	(117,468)
Reclassification	-	-	-	-	-	-	-	2,350
At the end of the year	288,118	-	3,388	-	5,789	-	297,295	271,944
Net Book Value								
At 31 December 2012	507,339	325,227	8,215	19,376	31,922	8,950	901,029	
At 31 December 2011	453,382	313,861	6,190	3,959	30,522	9,704		817,618

11 - Intangible Assets - Goodwill

SAR '000	2012	Restated Note 4 2011
Western Bakeries and International Baking Services (WB & IBS)	548,636	548,636
HADCO	244,832	244,832
Fondomonte	27,795	27,795
IDJ	514,192	-
Total	1,335,455	821,263

The goodwill noted above arises from the acquisition of Western Bakeries Limited and International Baking Services Limited in 2007, HADCO in 2009, Fondomonte in 2011 and IDJ in 2012 ("the Subsidiaries").

Goodwill is subject to annual impairment testing. Western Bakeries and International Baking Services Limited form part of the Bakery Products reporting segment, HADCO represents part of both the Arable and Horticulture reporting segment and the Poultry reporting segment while Fondomonte forms part of the Arable and Horticulture reporting segment. IDJ falls under the dairy and juice reporting segment.

Assets are tested for impairment by comparing the residual carrying amount of each cash-generating unit (CGU) to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections varies between 8.9% and 15.1% for each CGU and the residual value at the end of the forecast period has been calculated by applying an earnings multiple to the net income for the final year in the forecast period. The recoverable amount for Fondomonte has been determined based on a fair value less costs to sell calculation.

Key Assumptions Used in Value in Use Calculations

Management determined forecast sales growth and gross margin based on past performance and its expectations of market development. The discount rates reflect management's estimate of the specific risks relating to the segment. Estimates for raw material price inflation have been made based on the publicly available information in Saudi Arabia and past actual raw material price movements, which have been used as an indicator of future price movements. Growth rates are based on the industry averages.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and cost of sales inflation used to extrapolate cash flows beyond the budget period as well as the earnings multiple applied to the net income for the final year of the forecast period.

Sensitivity to Changes in Assumptions – Western Bakeries and International Baking Services

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of the key assumptions are discussed below.

(a) Sales Growth Assumption

The current sales growth in 2012 is 20% and in the forecast period has been estimated to be a compound annual growth of 16%. All other assumptions kept the same; a reduction of this growth rate to 12% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation

The current cost of sales in 2012 is 55% and in the forecast period has been estimated at an average of 55%. All other assumptions kept the same; an increase in the rate to an average of 68% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 14.7. All other assumptions kept the same; a reduction of this multiple to 0.8 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions – HADCO

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of the key assumptions are discussed below.

(a) Sales Growth Assumption

The current sales growth in 2012 is 58% and in the forecast period has been estimated to be a compound annual growth of 43%. All other assumptions kept the same; a reduction of this growth rate to 38% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation

The current cost of sales in 2012 is 48% and in the forecast period has been estimated at an average of 48%. All other assumptions kept the same; an increase in the rate to an average of 63% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 20.8. All other assumptions kept the same; a reduction of this multiple to 6.4 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions – IDJ

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount. The implications of the key assumptions are discussed below.

(a) Sales Growth Assumption

The current sales growth in 2012 is 27% and in the forecast period has been estimated to be a compound annual growth of 26%. All other assumptions kept the same; a reduction of this growth rate to 25% would give a value in use equal to the current carrying amount.

(b) Cost of Sales Inflation

The current cost of sales in 2012 is 73% and in the forecast period has been estimated at an average of 72%. All other assumptions kept the same; an increase in the rate to an average of 78% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 16.5. All other assumptions kept the same; a reduction of this multiple to 7.9 would give a value in use equal to the current carrying amount.

Key Assumptions Used in Fair Value Calculations

The recoverable amount for Fondomonte is measured on the basis of fair value less costs to sell. Fair value less costs to sell is defined as “the amount obtainable from the sale of an asset or cash generating unit in an arms length transaction between knowledgeable, willing parties, less the costs of disposal”.

Management has reviewed the carrying value of Fondomonte and its underlying assets internally. Based on the current price of cereal grains the market value of these assets is determined to be at least equal to their carrying value.

12 - Terms Loans

SAR '000	2012	2011
Islamic Banking Facilities (Murabaha)	6,402,409	5,980,116
Saudi Industrial Development Fund	974,219	941,048
Other Banking Facilities	275,807	-
Agricultural Development Fund	2,126	4,000
	<u>7,654,561</u>	<u>6,925,164</u>
Sukuk	1,000,000	-
Total	<u>8,654,561</u>	<u>6,925,164</u>

A. The borrowings from Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group.

B. The borrowings of the Group from the Saudi Industrial Development Fund are secured by a mortgage on specific assets amounting to SAR 974.2 million as at 31 December 2012 (2011: SAR 941.0 million).

C. The other banking facilities represent borrowings of foreign subsidiaries from foreign banking institutions.

D. On 14 Rabi Thani 1433 A.H. (7 March 2012), the Company issued its first Sukuk amounting to SAR 1 billion at a par value of SAR 1,000,000 each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk is due for maturity at par on its expiry date of 30 Jumad Thani 1440 (7 March 2019). As per the terms of the arrangement, the Company is entitled to commingle its own assets with the Sukuk Assets. Sukuk Assets comprise the sukukholders share in the Mudaraba Assets and the sukukholders interest in the Murabaha Transactions, together with any amounts standing to the credit of the Sukuk Account and the Reserve retained by the Company from the Sukuk Account.

13 - Payables and Accruals

E. Maturity of Financial Liabilities:

SAR '000	Facilities available at 31 December 2012	Outstanding 2012	Term Loans 2011
Less than one year	1,414,319	1,399,818	1,208,501
One to two years	5,027,068	2,683,756	2,844,583
Two to five years	3,776,569	3,383,747	2,838,080
Greater than five years	2,067,240	1,187,240	34,000
Total	12,285,196	8,654,561	6,925,164

The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature.

During 2012 the group secured an additional SAR 1,800.0 million of Islamic Banking Facilities (Murabaha) with maturities greater than five years (2011: SAR 1,800.0 million with maturities between three to five years).

As at 31 December 2012 SAR 2,658.3 million Islamic Banking Facilities (Murabaha) were unutilized and available for drawdown (2011: SAR 2,435.5 million).

As at 31 December 2012 the Group had SAR 972.3 million of unutilized SIDF facilities available for draw down with maturities predominantly greater than five years (2011: SAR 398.4 million).

SAR '000	2012	Restated 2011
Trade Accounts Payable - Third Parties	1,429,075	851,390
- Related Parties (Refer note 27)	38,465	13,971
Other Payables	636,797	584,519
Zakat and Income Tax Provision (Refer note 20)	72,238	65,892
Total	2,176,575	1,515,772

14 - Share Capital

The Company's share capital at 31 December 2012 amounted to SAR 4,000.0 million (2011: SAR 2,300.0), consisting of 400 million (2011: 230 million) fully paid and issued shares of SAR 10 each.

On 10 Jumad Awal 1433 A.H. (2 April 2012) the Extraordinary General Assembly Meeting approved an increase in the share capital from SAR 2,300.0 million to SAR 4,000.0 million through the distribution of 1 bonus share for each 1.353 outstanding shares for existing shareholders at the end of the trading on the same day. All legal formalities to effect this increase have been completed.

15 - Segmental Reporting

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai, Beyti and Teeba brands, bakery products under the brands L'usine and 7 Days, poultry products under the Alyoum brand, arable and horticultural products as well as other activities. Other activities include the investments in Zain and infant nutrition. Selected financial information as of 31 December 2012 and 2011 and for the years then ended categorized by these business segments, are as follows:

SAR '000	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total
31 December 2012						
Sales	7,988,406	1,290,645	504,350	386,032	-	10,169,433
Third Party Sales	7,972,686	1,290,645	504,350	115,315	-	9,882,996
Depreciation	(481,331)	(114,150)	(50,340)	(68,332)	-	(714,153)
Share of Results of Associates and Joint Ventures	(6,740)	-	4,297	-	(22,140)	(24,583)
Income before Minority	1,371,771	171,820	(96,800)	30,880	(37,761)	1,439,910
Share of Net Assets in Associates and Joint Ventures	204	-	36,886	-	11,679	48,769
Additions to Non-Current Assets	2,594,310	180,457	1,833,192	21,568	109,327	4,738,854
Non-Current Assets	8,184,108	1,786,704	3,559,923	1,433,157	993,733	15,957,625
Total Assets	11,046,963	2,002,505	3,728,592	1,736,202	1,004,386	19,518,648
Total Liabilities	(10,050,022)	(233,468)	(287,503)	(243,693)	(532,972)	(11,347,658)

15 - Segmental Reporting - continued

SAR '000	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total
31 December 2011 (Restated)						
Sales	6,606,206	1,037,019	319,210	321,531	-	8,283,966
Third Party Sales	6,592,805	966,374	319,210	72,600	-	7,950,989
Depreciation	(331,114)	(90,278)	(39,006)	(58,696)	-	(519,094)
Share of Results of Associates and Joint Ventures	(23,985)	-	5,098	-	(23,411)	(42,298)
Impairment Loss	-	-	-	-	(160,237)	(160,237)
Income before Minority	1,204,680	118,032	(33,478)	52,658	(194,955)	1,146,937
Share of Net Assets in Associates and Joint Ventures	489,704	-	34,723	-	10,318	534,745
Additions to Non-Current Assets	1,561,970	242,548	1,184,266	502,171	313,661	3,804,616
Non-Current Assets	7,046,843	1,745,506	1,769,980	1,471,062	1,030,193	13,063,584
Total Assets	9,064,765	1,920,117	1,937,961	1,699,573	1,034,010	15,656,426
Total Liabilities	(7,676,394)	(281,452)	(187,144)	(205,317)	(528,467)	(8,878,774)

The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 December 2012 and 2011 and for the years then ended, categorized by these geographic segments are as follows:

SAR '000	Sales	Non-Current Assets
2012		
Saudi Arabia	6,650,596	14,053,017
Other GCC Countries	2,575,357	300,535
Other Countries	657,043	1,604,073
Total	<u>9,882,996</u>	<u>15,957,625</u>
2011 (Restated)		
Saudi Arabia	5,656,415	12,003,293
Other GCC Countries	2,198,470	169,940
Other Countries	96,104	890,351
Total	<u>7,950,989</u>	<u>13,063,584</u>

Analysis of sales is given by product group as shown below.

SAR '000	2012	2011
Fresh Dairy	4,062,057	3,475,719
Long Life Dairy	1,016,232	761,135
Fruit Juice	1,243,222	888,110
Cheese & Butter	1,601,811	1,446,635
Bakery	1,290,645	966,374
Poultry	504,350	319,210
Arable and Horticulture	115,315	72,600
Other Dairy	49,364	21,206
Total	<u>9,882,996</u>	<u>7,950,989</u>

16 - Cost of Sales

SAR '000	2012	2011
Direct Material Costs	4,403,588	3,515,647
Government Grants	(124,388)	(82,212)
Employee Costs	725,392	557,932
Share Based Payment Transaction Expense	3,024	504
Depreciation of Property, Plant and Equipment	728,881	572,413
Depreciation of Biological Assets	140,836	123,411
Biological Asset Appreciation	(351,544)	(337,047)
Loss on Sale of Biological Assets	46,758	62,151
Other Expenses	799,372	541,670
Total	<u>6,371,919</u>	<u>4,954,469</u>

17 - Selling and Distribution Expenses

SAR '000	2012	2011
Employee Costs	756,460	583,209
Share Based Payment Transaction Expense	1,902	306
Marketing Expenses	487,159	397,345
Depreciation of Property, Plant and Equipment	164,362	137,747
Other Expenses	206,866	94,625
Total	<u>1,616,749</u>	<u>1,213,232</u>

18 - General and Administration Expenses

SAR '000	2012	2011
Employee Costs	287,979	211,089
Share Based Payment Transaction Expense	1,300	217
Insurance	23,710	22,566
Depreciation of Property, Plant and Equipment	31,618	22,570
Profit on Sale of Property, Plant and Equipment	(77,122)	(8,471)
Other Expenses	(46,083)	17,707
Total	<u>221,402</u>	<u>265,678</u>

19 - Employee Stock Participation Program

The Company will offer certain employees (the "Eligible Employees") the option (the "Option") for equity ownership ("Restricted Shares") opportunities and performance based incentives which will result in more alignment between the interest of both shareholders and these employees.

The number of Restricted Shares shall not exceed 1,913,043 shares. If Restricted Shares have not been granted to Eligible Employees in the reporting period for which it was earmarked, it shall carry over to the next reporting period.

The program is effective after adoption by the Board of Directors (the "Effective Date"), on 4 Thul Quada 1432 A.H. (1 October 2011). The program shall continue for a period of three years from the date of its adoption by a resolution of the Board and shall automatically renew in successive three year periods unless otherwise terminated by a resolution of the Board.

As the Eligible Employees have the option to purchase the Restricted Shares on their respective award dates in exchange for cash at a predetermined price, provided vesting conditions are met, this is regarded as an equity settled share based payment transaction.

The vesting of the Option is dependent on meeting or exceeding the requisite annual performance targets set by the Company in accordance with its five year plan. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of Restricted Shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The fair value of the Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

The following table illustrates the number of, and movements in, share options during the year:

	2012	2011
Outstanding at 1 January	1,845,217	-
Granted during the year	-	1,845,217
Forfeited during the year	(17,391)	-
Outstanding at 31 December	<u>1,827,826</u>	<u>1,845,217</u>

Exercise price is SAR 50.74 in the program.

The weighted average remaining contractual life for the options outstanding at 31 December 2012 is 1.2 years (2011: 2.2 years). The weighted average fair value of options granted during the year was SAR nil (2011: SAR 12.5 million).

The following table list the inputs to the model used for the determination of the fair value of the Options for the year ended 31 December 2012:

	2012	2011
Dividend yield (%)	2.5 %	2.5 %
Expected volatility (%)	20.9 %	20.9 %
Risk free interest rate (%)	5.0 %	5.0%
Expected life of share options (years)	1.2	2.2
Weighted average share price (SAR)	50.74	50.74
Model used	Black Scholes Merton	

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

20 - Zakat and Income Tax

A. Zakat is charged at the higher of net adjusted income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In the current year, the Zakat charge is based on the net adjusted income method.

SAR '000	2012	2011
Zakat Charge	44,067	28,993
Income Tax Expense for Foreign Subsidiaries	6,879	4,180
Charged to Consolidated Statement of Income	<u>50,946</u>	<u>33,173</u>

B. Zakat and Income Tax Provisions

SAR '000	2012	2011
Balance at 1 January	65,892	65,236
Charged to Consolidated Statement of Income	50,946	33,173
Payments	(44,613)	(32,517)
On acquisition of subsidiaries	13	-
Balance at 31 December	<u>72,238</u>	<u>65,892</u>

C. The Company has filed its Zakat returns for all the years up to 2011 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while the 2007 to 2011 Zakat returns are still under review by the DZIT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all years up to 31 December 2002 while the 2003 to 2008 Zakat returns are still under review by the DZIT. From 2009 onwards HADCO is not required to file a return as results are consolidated in to the Group's return.

21 - Earnings Per Share

Earnings per Share are calculated on the weighted average number of issued shares at 31 December 2012 and 31 December 2011 amounting to 400 million shares. The weighted average number of shares of issued shares has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

22 - Depreciation and Disposal of Assets

SAR '000	2012	2011
A. Depreciation		
Property, Plant and Equipment		
Depreciation	924,861	732,730
Biological Assets		
Depreciation of Biological Assets	140,836	123,411
Biological Assets Appreciation	(351,544)	(337,047)
Net Biological Assets Appreciation	(210,708)	(213,636)
Total	714,153	519,094
B. (Profit)/Loss on the Sale of Assets		
Property, Plant & Equipment		
Proceeds from the Sale of Property, Plant and Equipment	(98,144)	(23,528)
Net Book Value of Property, Plant and Equipment Sold	21,022	15,057
Profit on Sale of Property, Plant and Equipment	(77,122)	(8,471)
Biological Assets		
Proceeds from Sale of Biological Assets	(147,599)	(123,646)
Net Book Value of Biological Assets Sold	194,357	185,797
Loss on Sale of Biological Assets	46,758	62,151
Total	(30,364)	53,680

23 - Financial Risk Management Objectives and Policies

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade and other accounts receivable, derivative financial instruments, investments in securities, loan, short term bank borrowings, accounts payable, accrued expenses and other liabilities and long term debt.

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha) amounting to SAR 6,402.4 million at 31 December 2012 (2011: SAR 5,980.1 million) bear financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep between 50% to 60% of its borrowings at fixed commission. The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no impact on the Company's equity.

	Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
2012		
	30+	(20,035)
	30-	20,035
2011		
	30+	(17,910)
	30-	17,910

Foreign Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has transactional currency exposure principally in United States Dollars, Euros and Great British Pounds. Other transactions in foreign currencies are not material.

The outstanding foreign currency forward purchase agreements were as follows:

SAR '000	2012	2011
Euro	1,002,025	993,670
United States Dollar	734,699	1,320,478
Great British Pound	115,640	61,437
Other	49,058	46,249
Total	1,901,422	2,421,834

The Group uses forward currency contracts to eliminate significant currency exposures. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the Group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group. As the Saudi Riyal is pegged to the United States Dollar any exposure to fluctuations in the exchange rate are deemed to be insignificant.

The following analysis calculates the sensitivity of income to reasonably possible movements of the SAR currency rate against the Euro, with all other variables held constant, on the fair value of currency sensitive monetary assets and liabilities as at the reporting date.

	Increase/decrease in Euro rate to SAR	Effect on income for the year SAR'000
2012	10%+	(15,753)
	10%-	15,753
2011	10%+	(14,369)
	10%-	14,369

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group limits its credit risk by trading only with recognized, creditworthy third parties. The Group's policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant. The five largest customers account approximately for 27% of outstanding accounts receivable at 31 December 2012 (2011: 25%).

With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities and loan, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. Cash and bank balances are placed with national and international banks with sound credit ratings.

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds and bank facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis. The average days of sales outstanding for 2012 were 22 days (2011: 24 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2012 were 67 days (2011: 57 days).

24. Financial Instruments

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's consolidated financial statements are prepared under the historical cost method, differences can arise between the carrying values and the fair value. The fair values of financial instruments are not materially different from their carrying values.

Hedging Activities

At 31 December 2012 the Group had 19 commission rate swap agreements in place covering total notional amounts of SAR 1,450.0 million and US\$ 210.0 million. At 31 December 2011 the Group had 15 commission rate swap agreements in place covering total notional amounts of SAR 800.0 million and US\$ 210.0 million. Four new commission rate swaps were taken in 2012

for notional amount of SAR 600.0 million. The swaps result in the Group receiving floating SIBOR / US\$ LIBOR rates while paying fixed rates of commission or floating US\$ LIBOR rates under certain conditions. One had a deferred start of 12 month and another one had a deferred start of 15 months from trade date with total exposure of SAR 200.0 million.

The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings. One of the contracts had an option of increasing the notional amount by SAR 50.0 million on the start date, which was exercised.

At 31 December 2012 and 2011 the Group had various forward foreign exchange contracts that were designated as hedges to cover purchases and other expenditures in a variety of foreign currencies.

All derivative financial instruments are being used as cash flow hedges and are carried in the consolidated balance sheet at fair value. All cash flow hedges are either against transactions with either firm commitments, or forecast transactions that are highly probable. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 15 months.

All 2012 hedges were considered highly effective and the net gain on cash flow hedges during the year recognised in Other Reserves within equity was SAR 28.2 million (2011: net loss of SAR 23.7 million).

25. Commitments and Contingencies

A. The contingent liabilities against letters of credit are SAR 233.2 million at 31 December 2012 (2011: SAR 342.2 million).

B. The contingent liabilities against letters of guarantee are SAR 381.1 million at 31 December 2012 (2011: SAR 183.0 million).

C. The Company had capital commitments amounting to SAR 1,699.1 million at 31 December 2012 in respect of ongoing projects (2011: SAR 1,930.6 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and information technology.

D. Commitments under operating leases expire as follows:

SAR '000	2012	2011
Within one year	91,635	72,581
Two to five years	67,217	78,137
After five years	22,821	45,183
Total	181,673	195,901

26 - Directors' Remuneration

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2012 amounted to SAR 6.6 million (2011: SAR 6.6 million).

27 - Related Party Transactions and Balances

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2012 and 31 December 2011 along with their balances:

SAR '000	Amount	Balance at 31 December
2012		
Sales	(406,691)	72,736
Purchases	344,568	(38,465)
2011		
Sales	(444,510)	37,781
Purchases	276,022	(55,917)

Pricing and terms for these transactions are at arm's length. The related parties noted above include the following:

Entity	Relationship
Savola Group	Major Shareholder
Arabian Shield Cooperative Insurance Company	Common Ownership
Managed Arable Farms	Common Ownership
Pure Breed Company	Investment in Associate
International Pediatric Nutrition Company	Investment in Joint Venture

28 - Dividends Approved and Paid

On 10 Jumad Awal 1433 A.H. (2 April 2012) the General Assembly Meeting approved a dividend of SAR 517.5 million (SAR 2.25 per share based on 230 million shares) for the year ended 31 December 2011, which was paid on 19 Jumad Awal 1433 A.H. (11 April 2012).

29 - Dividends Proposed

The Board of Directors proposes for approval at the General Assembly Meeting a dividend for the year ended 31 December 2012 of SAR 500.0 million (SAR 1.25 per share based on 400 million shares).

30 - Subsequent Events

In the opinion of the Management, there have been no significant subsequent events since the year end that would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

31 - Approval Of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 5 Rabi Awal 1434 A.H. (17 January 2013).

Contact Details

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