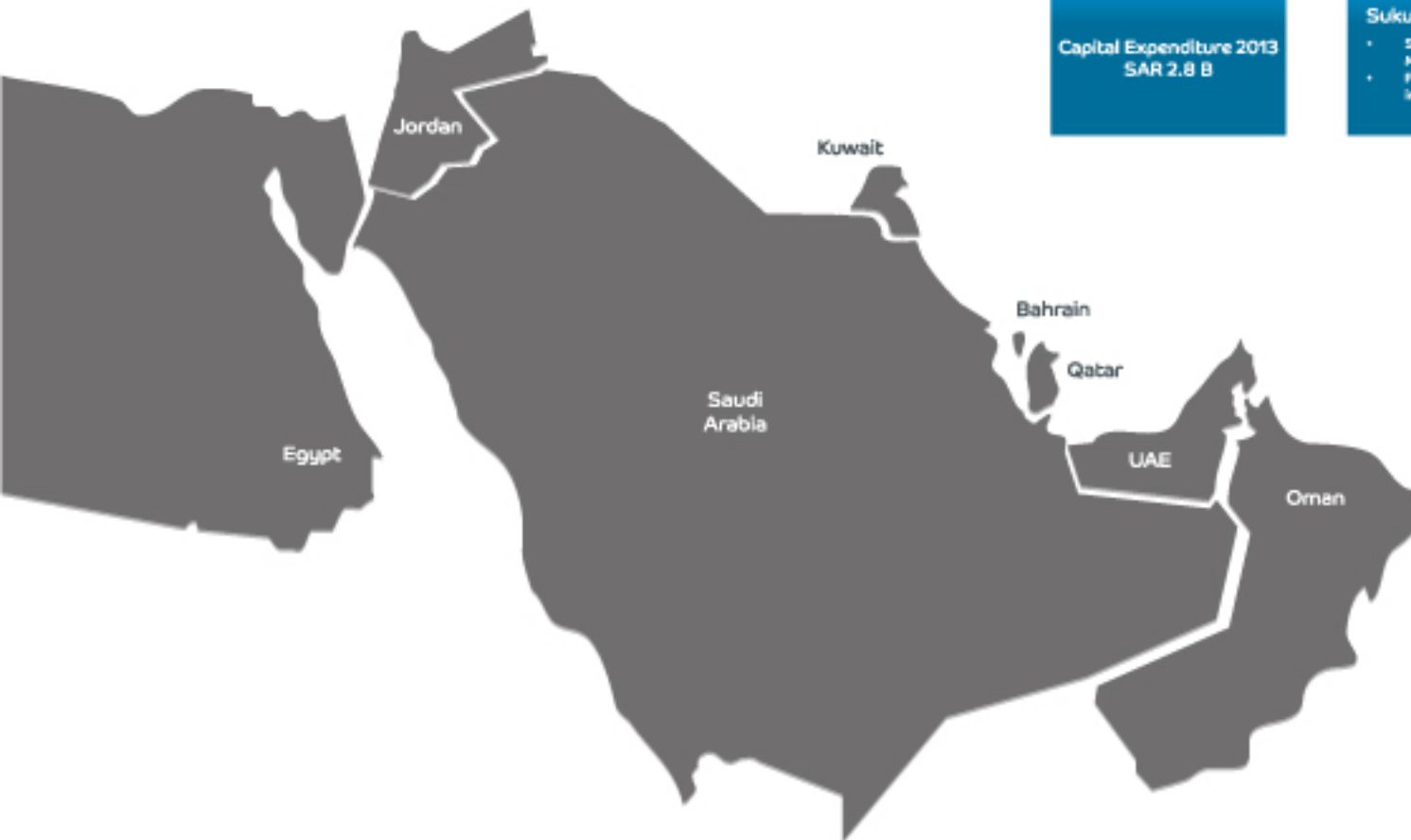
A photograph of a man in a white thobe carrying a young child on his shoulders. They are standing in a vast, green field under a bright blue sky with wispy clouds. The man's arms are raised, supporting the child. The scene is peaceful and evokes a sense of trust and quality.

Quality you can trust

Annual Report
2013

Highlights at a Glance:



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

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Chairman's Statement

A Year of Milestones to Strengthen its position as a Regional Leader with an Increasing International Footprint

On behalf of the Board of Directors, I am delighted to present the Annual Report of Almarai Company (referred to as "the Company" or "Almarai"), covering the year ended 31 December 2013.

Consumer confidence has remained strong during 2013 which, despite the persistent volatility in commodity prices, has supported the food and beverage industry in the region. Dairy commodity prices in particular have increased throughout the year. However, effective portfolio management and high inventory levels have reduced the impact of these increases. Despite these economic pressures, Almarai has maintained a very sharp focus on the quality and distribution of its products and, with the blessings of Almighty Allah, 2013 proved to be another record year. Sales increased by 13.5% to SAR 11,219.2 million (2012: SAR 9,883.0 million), yielding a Net Operating Income increase of 7.4% to SAR 1,796.6 million (2012: SAR 1,672.9 million).

2013 saw major milestones crossed for the first time:

- ▶ **Sales revenue exceeded SAR 11.2 billion**
- ▶ **Issuance of the Kingdom's first perpetual Sukuk**
- ▶ **Committed GCC workforce in excess of 30,000 employees, 6,677 of them are Saudi nationals and more than 34,000 at a group level**
- ▶ **Investment into Eastern Europe to further secure future feed supplies**

These significant achievements demonstrate that Almarai is continuing to evolve into a much larger Group, reinforcing its position as a leader in the Middle East and extending its business footprint into new international markets.

Sales revenue growth has been led by our fresh product categories (fresh dairy, juice, bread and poultry) growing very strongly in 2013 across all geographies. Our sales growth in the GCC countries reached approximately SAR 925.0 million and represented 69.2% of our total sales growth.

To continue our planned expansion and to strengthen our financial position, in September 2013, Almarai issued the Kingdom's first perpetual sukuk, raising SAR 1.7 billion. This perpetual sukuk, the first by a Corporate in the GCC, given its perpetual nature and other equity like characteristics, is classified as equity. The resulting strengthened balance sheet, together with improving cash flow generation, leaves Almarai well positioned to finance its comprehensive investment program of SAR 15.7 billion.

In addition to Almarai's capital expenditure programme, we continue to invest in local talent, with the company the proud employer of 6,677 Saudi nationals, qualifying Almarai as a Green category employer according to Nitaqat regulations. Total head count reached more than 30,000 employees in the GCC countries and more than 34,000 employees at the level of the group as a whole.

During 2013, through its 33.0% stake in UFHC, Almarai has increased the amount of arable land it manages, directly and indirectly, out of KSA to approximately 56,000 hectares (560km²). With three quarters of this land outside of the Kingdom, the regional diversification of arable land will help secure feedstock for Almarai's dairy herd and poultry flock and will help manage the gradual reduction in water usage for crop production within the Kingdom.

Total market capitalisation reached SAR 31.5 billion as at 31 December 2013, an increase of 24.0% from 31 December 2012.

This appreciation has been supported across a stable investor base with corporate and individual shareholders equally represented.

Based on these results, the Almarai Board recommends a Dividend of SAR 600.0 million representing 39.9% of the Consolidated Net Profits achieved during the year at SAR 1.00 per share i.e. at 20% increase compared with cash dividends of 2012 considering the capital increase which has taken place during 2013.

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.

Sultan bin Mohammed bin Saud Al Kabeer
Chairman

CEO's Review

Outstanding Fresh Product Growth and a Balance Sheet for the Future

Almarai achieved sales of SAR 11,219.2 million in 2013, another record for the Group, representing an increase of 13.5% over the previous year. Operating income also reached record levels at SAR 1,796.6 million. Cash flow from operating activities amounted to SAR 2,585.6 million, representing 23.0% of sales.

Sales growth was strong across all fresh product categories, collectively growing an impressive 17.3% over 2012. Fresh dairy and juice grew by 14.8%, bakery by 12.0% and poultry the strongest growth at 57.1%.

The dairy and juice segment has seen its profitability grow by 18.7% over 2012, led by fresh dairy (14.1% revenue growth) and juice (17.1% revenue growth). Cheese and butter, while remaining profitable, has achieved modest revenue growth of 3.0% and the long life dairy category has been challenged by increasing dairy commodity prices and margin erosion in the other GCC countries. The bakery segment growth of 12.0% has been led by fresh bread with additional manufacturing and gulf distribution capacity supporting this profitable growth.

Our poultry segment has also achieved strong growth with sales revenue increasing by 57.1%, to reach SAR 792.3 million, and contributing to more than one fifth of the groups' revenue growth. During 2013, investment into this segment continued with the first two lines in the new processing plant fully commissioned and the third available for testing late in the fourth quarter. Once the third line is fully commissioned, the factory will be capable of processing close to 200 million birds per annum. The investment has also extended to the poultry distribution network with more than 11,000 customers now being served fresh poultry on a daily basis. The performance of the Poultry segment has been affected by increasing depreciation charges resulting from our past investments which have not yet reached their full capacity utilization. With this poultry investment now in place, Almarai is constantly aiming at the highest operating standards, through continuous improvement of its existing business model.

During 2013, dairy commodity costs increased significantly, but effective portfolio management and improving juice input prices have improved the ratio of Direct Material Costs to Sales; a decrease from 43.3% in 2012 to 42.3%. Further expansion of our distribution capabilities throughout the GCC, to support increasing fresh demand, particularly for Poultry, has seen Selling & Distribution expenses increase by 15.7% over 2012. General and Administration expenses, once normalised for the one off capital gain of SAR 47.2 million realised in 2012, have been tightly controlled and increased by 6.0% over 2012.

Overall this strong core operating performance resulted in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) reaching SAR 2,734.1 million, an increase from 2012 of 14.5%, and representing 24.4% of sales (24.2% in 2012). Commissioning of recent capital investment programs, not yet operating at capacity, has seen depreciation of Property, Plant and Equipment (PPE), and funding costs increases of 24.7% and 42.4% respectively, restricting the Earnings Before Interest and Tax (EBIT) growth to 7.4% and Net Income growth to 4.3%. In 2013, EBIT and Net Income represent 16.0% and 13.4% of sales (2012: 16.9% and 14.6%).

Our investment program continued during 2013, reaching SAR 2,878.5 million overall. The investment in the Poultry segment, as well as the expansion of our farming, manufacturing and distribution capabilities constitute the majority of our investment. This investment is in line with our long term strategic plan and is essential to enable us to meet growing consumer demand.

The investments into property, plant and equipment and working capital, necessary to cope with increasing consumer demand, have been funded through operating cash flows, and two very different Sukuk issuances during 2013. The first Sukuk issuance of 2013 totalling SAR 1,300.0 million was a debt issuance. The second issuance of SAR 1,700.0 million was a perpetual Sukuk, and was the first of its kind in the Kingdom of Saudi Arabia. Its perpetual nature results in the instrument being classified as equity and strengthens Almarai's balance sheet moving into 2014 and beyond.

Our continued commitment to protection 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 60%.

We would like to express our thanks to Almarai's investors, for placing your trust in the Board of Directors. We would also like to extend our appreciation to Almarai's management team and over 34,000 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.

Abdulrahman Al Fadley
Chief Executive Officer



Dear Shareholders,

We are pleased to present the annual report for the year 2013.

This report, in conjunction with the Annual Consolidated Financial Statements and Auditor's Report will provide you with a comprehensive review of Almarai's operating and financial performance as of the end of 2013. This report has been established according to the presentation and disclosures of Almarai, without prejudice of any Almarai's interested stakeholders, in order to explain the most important developments and achievements of 2013 in the context of Almarai's vision to be the consumers' preferred choice by leading in chosen markets with featured food and beverage products.

We hope that, with the blessings of Almighty Allah, we will succeed in our efforts and aspirations of continuous growth and expansion in all the dimensions of our business to maintain Almarai's sustainable levels of growth so that Almarai becomes one of the long standing food security tributaries in the Kingdom of Saudi Arabia.





Mission

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



Vision

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



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.

Innovation: 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 consistency to deliver the best quality in everything we do.



Overview

Almarai commenced operations in 1396H (corresponding to 1977G) when His Highness Prince Sultan bin Mohammed bin Saud Al Kabeer developed a number of agricultural projects drawing on the tremendous potential of developing the traditional dairy industry to meet the fast growing demand of the local market.

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 food and beverages products in the region. Ranked as the MENA region number one brand in consumer products, Almarai is now the undisputed market leader across its product categories in the Middle East, North Africa, and all Gulf Cooperation Council (GCC) countries.

It took two decades to achieve annual revenue of SAR1.0 billion but only one decade to double that amount. In the eight years to the end of December 2013, total annual sales soared to reach SAR 11.2 billion with a compounded annual growth rate of 23.2 % since 2006.

Almarai's success can be attributed to a number of factors, including a state-of-the-

art infrastructure which includes farms, production operations and go-to market systems with a commitment to quality at every stage. Almarai's infrastructure, systems and dedication to quality enables Almarai's Saudi Holstein cows to each produce an average of more than 13,375 litres of milk every year – almost double the European figure and close to 3,000 litres more than their nearest international competitors.

Almarai is the first dairy farm in the world to have been awarded the ISO 9001 accreditation, awarded in 1997, and is the first vertically integrated dairy business to have achieved the ISO 9001-2000 certificate across all of its operating divisions and sectors, including farms, procurement, processing, technical research and development, distribution and sales.

Today Almarai has a milking herd of over 78,000 cows out of 142,000. With the herd accommodated on seven farms covering 9,574 hectares.

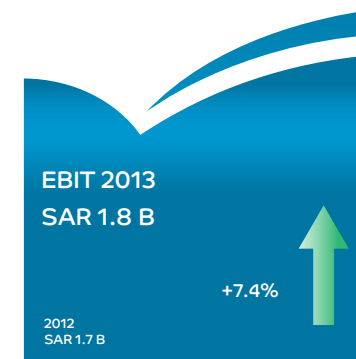
In 1996 Almarai commissioned its first central processing plant (CPP1) and centralised its dairy manufacturing facilities on one site. Major diversification was undertaken by Almarai in

1999 with the introduction of fresh fruit juices to complement the existing range of dairy products. In 2005, Almarai commissioned its second central processing plant (CPP2) which produces milk, juice and cheese products.

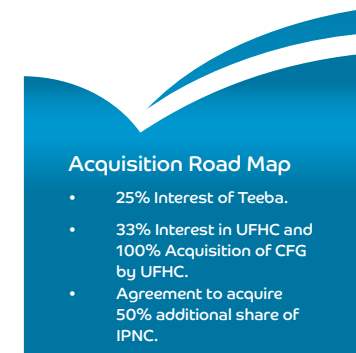
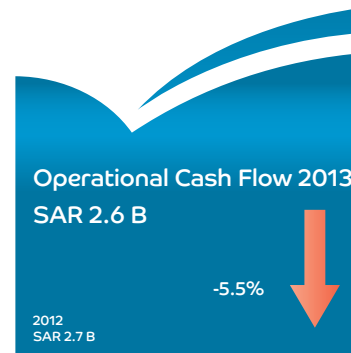
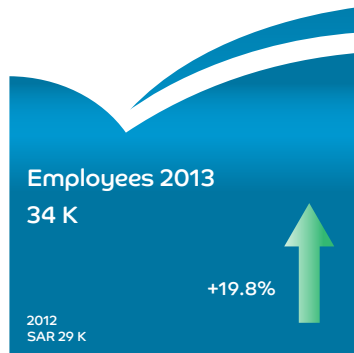
Almarai's fleet of over 71 tankers and 1,220 trailers undertakes approximately 221,000 trips annually covering 209 million kilometres to deliver dairy, juice, bakery and poultry products to 127 depots. From the depots, a fleet of 4,655 vans deliver to more than 108,000 stores and retail outlets. The activities are facilitated through a work force of over 34,000 staff as of the end of December 2013.

Highlights 2013

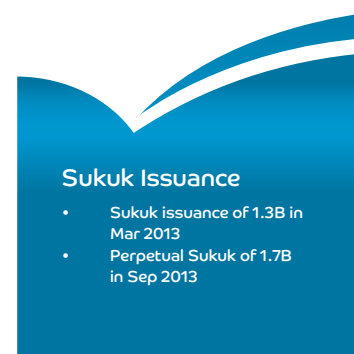
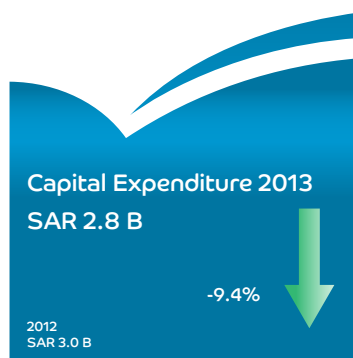
Financial Highlights



Operational Achievements



Balance sheet / Market Changes



History

2005

Almarai moved from private ownership to being publicly listed on the Saudi stock exchange. Almarai was licensed to convert from a Limited Liability Company to a Saudi Joint Stock Company according to the Ministerial Resolution No. 733 dated 06/05/1426H (corresponding to 13/06/2005G), after which the Capital Market Authority has announced its approval on 12/05/1426H (corresponding to 19/06/2005G) to put up to 30% of Almarai shares of 750 million riyals for Public Offering, provided that the declaration of this Initial Public Offering shall take place during the period between 27/05/1426H (corresponding to 04/07/2005G) to the end of Wednesday 07/06/1426H (corresponding to 13/07/2005G) working day. Accordingly, the Ministerial Resolution No. 1024 dated 02/07/1426H (corresponding to 07/08/2005G) was issued to announce Almarai as a Saudi Joint Stock Company. Almarai has been listed on the Saudi Stock Exchange and started its Stock Trading on Wednesday 12/07/1426H (corresponding to 17/08/2005G) within the Agriculture & Food Processing Sector, Code 2280. Currently, Almarai shared paid up capital amounted to SAR 6,000 million, consisting of 600 million fully paid and issued shares of SAR 10.00 each. Almarai available and tradable shares by the end of 2013 amounted to 207 million shares approximately, representing 34.5% of its total available shares. As at 31st December 2013, Almarai's market capitalisation was SAR 31.5 billion.

2007

With the acquisition of Western Bakeries Company (WB) in Jeddah, the product range was expanded to include bakery products trading under the "L'usine" brand. Since this acquisition, Almarai has developed its bakery business through the creation of Modern Food Industries (MFI), a joint venture with Vivartia of Greece and Olayan Financing Company in the Kingdom of Saudi Arabia, producing and distributing the "7 Days" range of bakery products. Further, since this acquisition, Almarai has invested in increasing its production capacity in Jeddah as well as constructing new bakery products manufacturing facilities in Al Kharj.

2009

Poultry was added through the acquisition of Hail Agricultural Development Company (HADCO). This was another key milestone in the diversification of Almarai's business. Since the acquisition in 2009, Almarai has completed more than a SAR 4.3 billion investment program for the development of integrated facilities which includes 10 rearing farms, 20 laying farms, 54 broiler farms, 3 feed mills, 2 hatcheries, a processing plant with associated utilities and sales infrastructure. This investment is part of Almarai's long term vision and will position the company to take full advantage of the opportunity within the poultry market.

Almarai also entered into a 48:52 joint venture with PepsiCo with a focus on developing opportunities in the dairy and juice market in the Middle East (outside of the GCC), Africa and Asia. In 2012, Almarai acquired the controlling interest in International Dairy and Juice Limited (IDJ) by increasing its shareholding from 48.0% to 52.0% which resulted in IDJ results being fully consolidated in Almarai's financial statements from the second quarter of 2012 onwards.

2011

With the Government of the Kingdom of Saudi Arabia seeking to end the cultivation of water intensive crops in the country, Almarai purchased Fondomonte SA, a company that owns 12,306 hectares of arable farm land in Argentina. This acquisition will help Almarai secure supply of feed stuffs for its expanding dairy and poultry businesses. Since then, through farm rental, Almarai has expanded its arable farm land to almost 30,000 hectares.

2012

Almarai completed the construction of the GCC's first infant nutrition plant at Al Kharj, outside of Riyadh. Recognising that the best approach was to work with acknowledged experts in this area, Almarai partnered with Mead Johnson Nutrition to form a 50:50 joint venture known as International Pediatric Nutrition Company (IPNC). The infant nutrition products are co-branded as Almarai and Mead Johnson Nutrition's flagship 'Enfa' range. On 05/02/1435H (corresponding to 08/12/2013G) Almarai has announced that following a strategic review within partners, Almarai will take full control of IPNC while being granted for a period of time full technical support from Mead Johnson. All necessary approvals for this transaction have been received on 07/03/1435H (corresponding to 08/01/2014G).

2013

Almarai joined with Saudi Agricultural and Livestock Investment Company (SALIC) and Saudi Grains and Fodder Holding Company (SAGAF) to incorporate United Farmers Holding Company (UFHC), a Saudi limited liability company in which Almarai has a 33.0% stake. UFHC acquired Continental Farmers Group PLC in 03/08/1434H (corresponding to 12/06/2013G) which further broadens Almarai's international vertical integration of feed stuffs supply. Continental Farmers Company operates farms in both Poland and Ukraine.

- ▶ These acquisitions along with continued investment in its core business has culminated in Almarai reinvesting more than 30.0% of sales revenue over the last six years into development, infrastructure and technology, creating a sound platform to maintain Almarai's reputation for consistent quality and drive growth.
- ▶ Today, Almarai is the largest integrated consumer food producer in the Middle East and has established itself as one of the leading brands in the food and beverage sector in the Kingdom of Saudi Arabia and the GCC region.
- ▶ The size and scale of Almarai in 2013 dwarfs the original 1977 concept in seeking to transform traditional dairy farming in the Kingdom of Saudi Arabia to meet the needs of burgeoning domestic markets.
- ▶ Almarai's expansion operations have enhanced its trading position under its commitment to provide high quality and nutritious food throughout its development stages, to secure offering the best nutritional value that meets the highest expectations of consumers, building on its slogan: "Quality You Can Trust".

Board of Directors



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

He founded Almarai in 1977 and is the Chairman of its Board. His diverse investments include companies such as Al-Yamama Cement, founded in 1961, in addition to the Arabian Shield Cooperative Insurance Co. and Al-Tayyar Travel Group. Holds a Bachelor's degree in commerce and political science from King Saud University. He cofounded several companies including Al-Yamama Cement Company (Yemen), Al-Farabi Chemicals Co. Ltd., Zain Saudi Telecom, Jusour Petro Chemicals Co., ARASCO, Al-Salam Bank (Bahrain), Arcapita Bank (Bahrain), Dana Gas (UAE), Tatweer Construction (Qatar), Ras Al-Khaima Petroleum (UAE), IBC Co. (Lebanon), The Kuwaiti Chinese Holding Co. (Kuwait), The Kuwaiti Sudanese Holding Co. (Kuwait), The Kuwaiti Jordanian Holding Co. (Kuwait), First Education Co. (Kuwait), and Kingdom Schools Co.

He is also the Chairman of the Arab Union for Cement & Building Materials Co., Al-Tayyar Travel Group, Arabian Shield Cooperative Insurance Co., Nova Al-Jazeera Establishment, the Arab Cubs Establishment, and the Technical Projects & Contracting Establishment. He is also the Managing Director of Al-Yamama Cement Company.

He is directly involved in several social initiatives and activities. His Highness is Member of the Board of Trustees of King Abdul Aziz and His Men Institute for Talent and Creativity, the Equestrian Club, the Graduates Society of Model Institute of the Capital Schools, and Al-Birr Charity Society. He is also the Honorary Chairman of the Saudi Heart Association, the Saudi Chest Medication & Surgery Association, Saudi Hearing Disability Association, and the Saudi Hypertension Association.



Dr. Ibrahim bin Hassan Mohammed Al Madhoun
Board Member

Board member of The Red Sea Housing Services Company, Herfy Company, Fitaihi Company, and Al-Obeikan Investment Group.

Holds a PhD in Civil Engineering from the University of Arizona, USA.



Engr. Nasser bin Mohammed Al Muttawa
Board Member

Board member of Al-Tayyar Travel Group, the Technical Investments Co., and the Arabian Shield Cooperative Insurance Co. Chairman of the Physically Disabled Adults Association. Founder and active member of 13 charities. Holds a Bachelor's degree in Civil Engineering from USA. Has worked in the government sector and the private sector since 1980. A shareholder in various companies in the Middle East.



Suliman bin Abdulgader Al Muhaideb
Board Member

Chairman of Al Muhaideb Group, the Savola Group, Amwal Al Khaleej for Commercial Investments Co., Swicorp Jousour Company, and Al-Oula Real Estate Development Company. Board Member of the Saudi British Bank (SABB), National Industrialization Co., Arabian Pipes Co., Yamama Steel Industries, and Arabian Company for Water and Power Development.

Appointed by the government as Board Member of Riyadh's Social Responsibility Council and the Centennial Fund.



Dr. Abdulraouf bin Mohammed Abdullah Mana'a
Board Member

Managing Director of The Savola Group. Board Member of the Herfy Food Services Co., the Saudi Investment Bank, Knowledge Economic City and the General Organization for Social Insurance. Member of several boards and sub-committees belonging to the Savola Group.

Holds a Bachelor's of Science in Mechanical Engineering from King Fahad University of Petroleum and Minerals, a Master's degree in Engineering, and a Master's degree in Engineering Sciences – Mechanical Engineering – from California University in Berkley, USA. Received his PhD in Mechanical Engineering from Washington University in Seattle in 1982.



Ibrahim bin Mohammed Bin Ibrahim Alissa
Board Member

Chairman of the Taiba Holding Company. Board member of Banque Saudi Fransi, the Savola Group, Yanbu Cement Company, the General Authority of Civil Aviation, and Jeddah Development and Urban Regeneration Co. A former member of Jeddah's Municipal Council.

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



HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Board Member

Chairman of the Projects and Technical Contracting Company and Ash-bal Al-Arab Corporation. Board Member of the Gulf Farabi Petrochemical Co., Kuwait Sudan Holding Company, Kuwait China Company, Jousour Company, and Integrated Transport Company.

Business graduate of King Saud University, Saudi Arabia



Engr. Musa bin Omran Al Omran
Board Member

Board Member of Banque Saudi Fransi, the Saudi Arabian General Investment Authority, Jeddah Development and Urban Regeneration Co., Chamber of Commerce and Industry in Jeddah. Member of the Makkah Province Board and the Young Managers Association.

Received his Bachelor's degree in Industrial Engineering from King Saud University in 1991, a Master's degree in Business Administration from St. Edward University, USA in 1994, and a Diploma in Bakery Science and Technology from Pittsburgh Institute, USA in 2001.



Abdulrahman bin Abdulaziz Al Muhanna
Managing Director

Board Member of Arcapita Bank of Bahrain, Arabian Agricultural Services Company (ARASCO), and Al-Jazirah Corporation for Press, Printing & Publishing. Member of the National Committee for Biodiversity.

Joined Almarai in 1979 and was appointed Managing Director in 1997. Hold a Bachelor's degree in Agricultural Economics from King Saud University.

المراعي Almarai



Our Brands

"Almarai" is the key brand of Almarai. It is wide fame. The strength of the Almarai brand is fundamental to the enduring success of the group and the significant growth achieved over many years.

As a pure dairy producer, such unwavering commitment to quality was unquestionably a key success factor that made Almarai the largest integrated dairy operator in the world. Today, with diversification into fresh juice, bakery and poultry, the same relentless insistence on quality applies across a much wider product range. This is where the 'trust' element comes into play. Consumers' implicit trust in Almarai is reflected in their willingness to sample new Almarai branded products – and become repeat purchasers. The perfect testimony to this is the growth in sales volume and market share achieved during 2013 by virtually all Almarai products, underpinning Almarai's objective of being market leader in every segment in which it operates.

Almarai benefits from the strong recognition of its brand throughout all GCC countries. According to research performed by the Financial Times and Brand Finance, Almarai's brand recognition within the GCC is comparable to that of major global brands and is a leader in the region. The Almarai brand is a key competitive advantage and major strength for Almarai. The Almarai brand symbolises quality, freshness and value.

Almarai has sought to establish a competitive position not merely to enhance shareholder value but also to underpin its capability to offer value to its consumers.

Almarai's record in offering such value has been rewarded by its market share growth.

In bakery, Almarai produces under two brands, the "L'usine" brand and, in conjunction with it, the "7 Days" brand.

"L'usine" is wide fame which came under Almarai ownership as part of the Western Bakeries takeover in 2007. Manufacturing bread, buns, cakes and biscuits and sambosa leaves, "L'usine" is moving from a pure bakery brand to be a leading force in the snacks sector.

"7 Days" brand products were introduced to the GCC consumer in 2009 via the Modern Food Industries joint venture. The brand offers croissants, layered cake and Swiss rolls, all produced using proprietary technology.

In poultry, Almarai launched the "Alyoum" brand in late 2010 and this has replaced the HADCO brand that existed before Almarai's acquisition of HADCO. "Alyoum", meaning "today" in Arabic, brings Almarai's quality endorsement, already in existence in other categories, to the poultry category.

In infant nutrition, the IPNC joint venture has brought together two dynamic market leaders with all products co-branded "Almarai" and the Mead Johnson Nutrition's "Enfa" brand.

Almarai established a joint venture with IDJ, for the distribution and sale of dairy and juice products outside of the GCC. IDJ trades in Egypt and Jordan through its

local corporate entities Beyti and Teeba respectively. Both companies sell products under their own brands "Beyti" and "Teeba" respectively as well as "Tropicana" and "Almarai" branded products. Further, IDJ sells Almarai long life products to selected countries throughout the Middle East, North Africa and South Asia under the "Almarai" brand.



Almarai Culture

Almarai's quality commitment is reflected in providing products and services which meet all consumers' demands and expectations while maintaining our competitive advantage. Almarai's quality policy is achieved through the development of a culture and environment whereby all employees are aware that they have to improve all quality standards through the following:

- ▶ Raising employee's awareness about the importance of quality performance and their ability to share in achieving it through proper training and improvement of skills.
- ▶ Systematic understanding of consumers' needs and planning to exceed their expectations.
- ▶ Setting measureable quality objectives, monitoring performance and taking realistic decisions for continuous improvement.
- ▶ Ensuring that the standards of health, safety and hygiene are professionally applied in all sectors of Almarai business.



Our Human Resources

Human resources are a significant driving force behind Almarai's growth. Almarai is keen on sharing its success with employees and providing a competitive work environment. The company constantly offers training and skill development opportunities, and focuses on employment stability. In 2013, Almarai group surpassed a total of 34,000 employees with an increase of 6,000 employees in comparison to 2012 figures.

Employment Nationalization (Tawteen)

In 2013, Almarai continued to implement its localization policy by hiring qualified local talents in all the countries where it operates. In Saudi Arabia, the number of Saudi employees in 2013 reached 6,677 compared to 377 employees in 2000. They now constitute 24.2% of the total number of employees in the Kingdom of Saudi Arabia, and have risen by 33.0% per year over the past five years. Almarai's companies have all been classified as "Green" and "Excellent" by the Saudi Ministry of Labor's nationalization program, Nitaqat.

Work Environment

Almarai strives to provide a working environment that attracts job seekers. The company ensures the presence of a positive and stimulating work environment while applying regular improvements through:

- ▶ **Upgrading the organizational structure and employment policies in line with five-year plans.**
- ▶ **Improving employees' career paths.**
- ▶ **Reviewing salaries, allowances, and compensations as well as conducting yearly comparisons with the job market.**

Training and Development

Almarai believes that raising work efficiency guarantees the company's progress in various sectors. In 2013, training efforts included the following:

- ▶ 369 graduates from Almarai's Dairy and Food Polytechnic.
- ▶ 132 employee graduates from Almarai's Future Managers program.
- ▶ 350 students joined the summer training program.
- ▶ An agreement signed with King Saud University to provide cooperative training in the Food and Agricultural Sciences College.

Future Managers Program

Almarai launched the Future Managers Program a few years ago. It is one of the leading programs offered by Saudi companies and focuses on qualifying Saudi nationals for leadership roles. In 2001, the program began with 50 trainees. It is held in collaboration with Saudi universities. A director is responsible for devising a training plan over a 12-month period. Trainees undergo a quarterly review, are assigned daily and weekly responsibilities, and are treated like all other employees within a specific team. 132 employees joined the program in 2013.

Employees Programs

Employees Participation in Almarai Shares Program

The Company is offering certain non-executive employees the option for equity ownership opportunities and performance based incentives which will result in more alignment between the interest of both shareholders and these employees. 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.

Housing Loans Programs for Saudi Nationals

During 2013, and in line with Almarai's keenness to attract highly qualified local talents, the Company launched its Housing Loan Program. The aim is to support Saudi employees in owning homes at the lowest cost possible. The program is offered to outstanding members in accordance with endorsed regulatory policies and procedures. It falls within Almarai's efforts and long-term plans for employment nationalization of the Kingdom's food industry.

Our Social Responsibility

Main Initiatives:

Almarai is an integral part of the community within which it operates. Naturally, it is committed to developing social responsibility programs that cover various aspects including: education, academics, social care, sports, culture, and the environment.

In 2013, Almarai launched several initiatives through collaborating and partnering with diverse societal organizations and participating in community-related events. In addition, the company endorsed strict policies to preserve the environment and natural resources.

Education and Academics:

Almarai Scientific Innovation Award

In 2013, Almarai organized the 12th edition of its scientific award ceremony. Almarai has been honouring 13 Scientists, achievements in the fields of water, desertification, nanotechnology, and pharmacology. The award was launched in 2001 in coordination with King Abdulaziz City for Science and Technology, and aims to support scientists and researchers in the fields of basic and applied sciences as well as scientific development and creativity in Saudi Arabia.

Almarai's Scholastic Excellence Award

The 7th edition of Almarai's Scholastic Excellence Award, dedicated to public education students in the GCC, and was organized in 2013. 40 students of different academic levels from GCC countries were honoured and awarded. The award was launched in 2006 and aims at encouraging students who display academic excellence by supporting their capabilities and nurturing their talents and success.

Almarai Veterinarian Award

For the 4th year in a row, Almarai honours the Kingdom's veterinarians. The award was launched in 2010 to recognize and support the veterinary profession, and highlight the fundamental role of veterinarians in protecting animal health and welfare in the Kingdom.

Summer Internship Program

Almarai provides summer internships to Saudi university graduates on a yearly basis. Interns receive training in various departments. In 2013, the program included 350 trainees in different Almarai divisions and departments.

Cooperative Training

In 2013, Almarai signed an agreement with King Saud University as part of its graduates training program, held in collaboration with Saudi universities and colleges. The cooperative training program will be offered to students in the college of Food and Agricultural Sciences.

The Dairy and Food Polytechnic

A total of 569 students graduated from the Dairy and Food Polytechnic in 2013. The school was established in cooperation with the Technical and Vocational Training Corporation and the Human Resources Development Fund. The primary objective is to educate and train the Saudi youth in the field of food manufacturing. This will help them acquire essential knowledge and skills and qualify them for the best career opportunities in the Saudi market.

Participation

Almarai has participated in the establishment of "Qadiroon" Company to train and employ disabled citizens.

Social Care:

The "Helping-Hand" Initiative

September 2013 witnessed the launch of Almarai's "Helping-Hand" initiative. Different segments of the community were asked to nominate a cause for Almarai to endorse. The social-care program with the highest number of votes was then given priority.

The "Helping-Hand" is one of the leading programs in the Kingdom and the region. It is carried out through a specialized companies that surveys the public for identifying and determining primary social responsibility concerns.

Food Basket Program

During Ramadan 2013, Almarai launched its yearly "Food Basket" program in coordination with local mosques and charity organizations. A total of 4500 families in Hafr Al-Batin, Qurayyat, Taif, Makkah, Jeddah, and Al-Madinah received Almarai's food baskets.

School Bags Program

For the second year in a row, Almarai implements its School Bags program. At the beginning of the academic year, school bags were distributed to more than 5000 students of needy families in more than 45 cities and towns across the Kingdom

Winter Clothes Program

In line with Almarai's emphasis on community support and cooperation, the company implemented its yearly Warmer Winter campaign. In 2013, 9000 blankets were distributed to 3000 families across the Kingdom through 14 distribution locations. The campaign was carried out in cooperation with local mosques.

Visits Programs

Almarai has created a specific program for the general public. Individuals can visit and learn more about Almarai farms and plants. In 2013, the company welcomed more than 500 visits with a total of 24,000 visitors from different parts of the Kingdom. Guests were able to learn more about the different production stages within Almarai plants. The Visits Program aims at bridging the distance with the general public and reinforcing the policy of open communication channels with consumers.

Cultural Support:

Photomentaries Competition

During 2013, Almarai launched its photography competition, entitled "Celebrate the Beauty of the Arab World". The objective was to provide photographers in Arab countries with the opportunity to present photos that reflect the Arab world's beauty and culture.

The competition falls within Almarai's efforts to support Arab talent, highlight creativity, celebrate the Arab culture, and promote photography in the Arab world.

Alkharj Summer Festival 34

Almarai sponsored the Al-Kharj Summer Festival 34, organized by Al-Kharj municipality. The festival spans a period of 21 days and includes various entertainment and cultural activities including the amateur photographers' exhibition, football tournament, PlayStation tournament, and the best talents, as well as initiatives to support needy families in Al-Kharj, and several awareness campaigns and courses.

Health and Sports:

Hail International Rally 2013

In line within its efforts to support national events and promote national tourism, Almarai sponsored the Hail International Rally 2013 in its 8th edition.

The 5th Gulf Cup of Nations Championship

Almarai was an official sponsor of the 5th Gulf Cup of Nations for players under 23 years. The event was held in Bahrain from August 15 to 26, 2013 and continues to enjoy wide popularity in the Gulf.

The Environment:

Water

Almarai has undertaken many initiatives to reduce water usage. This includes importing 100% of the green fodder required to produce the Almarai milk which is exported out of the Kingdom. The 2013 mandatory minimum amount of imported fodder that must be used to produce products

for export, which applies to Almarai as well as to all of its competitors, is only 60%. Importing fodder from overseas reduces the amount of water used in the production of the locally farmed equivalent. Almarai has also adopted best in class practices and leading technologies to ensure water is used as efficiently as possible, including recycling used water.

Environmental Standards

Almarai strictly implements the endorsed environmental requirements of its ISO 14001:2004 accreditation. A clear understanding of present and future environmental risk management helps sustain the right balance between profitability and reducing environmental impact to a minimum.



Connecting and Communicating

Almarai is always keen on connecting with consumers, investors, and employees through several communication channels. This ensures more synchronization between Almarai's approach and the needs of all stakeholders.

Connecting with Customers

Almarai enjoys high communication flexibility and connects with customers through various channels including:

The company's official website

Almarai's website receives more than 3 million visitors per year, and welcomes all customers' inquiries and comments through specific links.

Social media

Almarai has established official profiles on Facebook, Twitter, YouTube, and LinkedIn and reaches more than 25 million people. It also has more than 3 million consumers who constantly follow Almarai's news and updates.

Customer service department

The department receives customers' and consumers' inquiries and complaints on a daily basis. Almarai replies to every inquiry related to the Company.

General visits

Through its "Visits" program, Almarai offers customers and the general public the opportunity to visit Almarai processing plants and farms in Al-Kharj. In 2013, Almarai welcomed more than 500 visits including a total of more than 24,000 visitors who were introduced to the various processing stages at the Company's plant and farms.

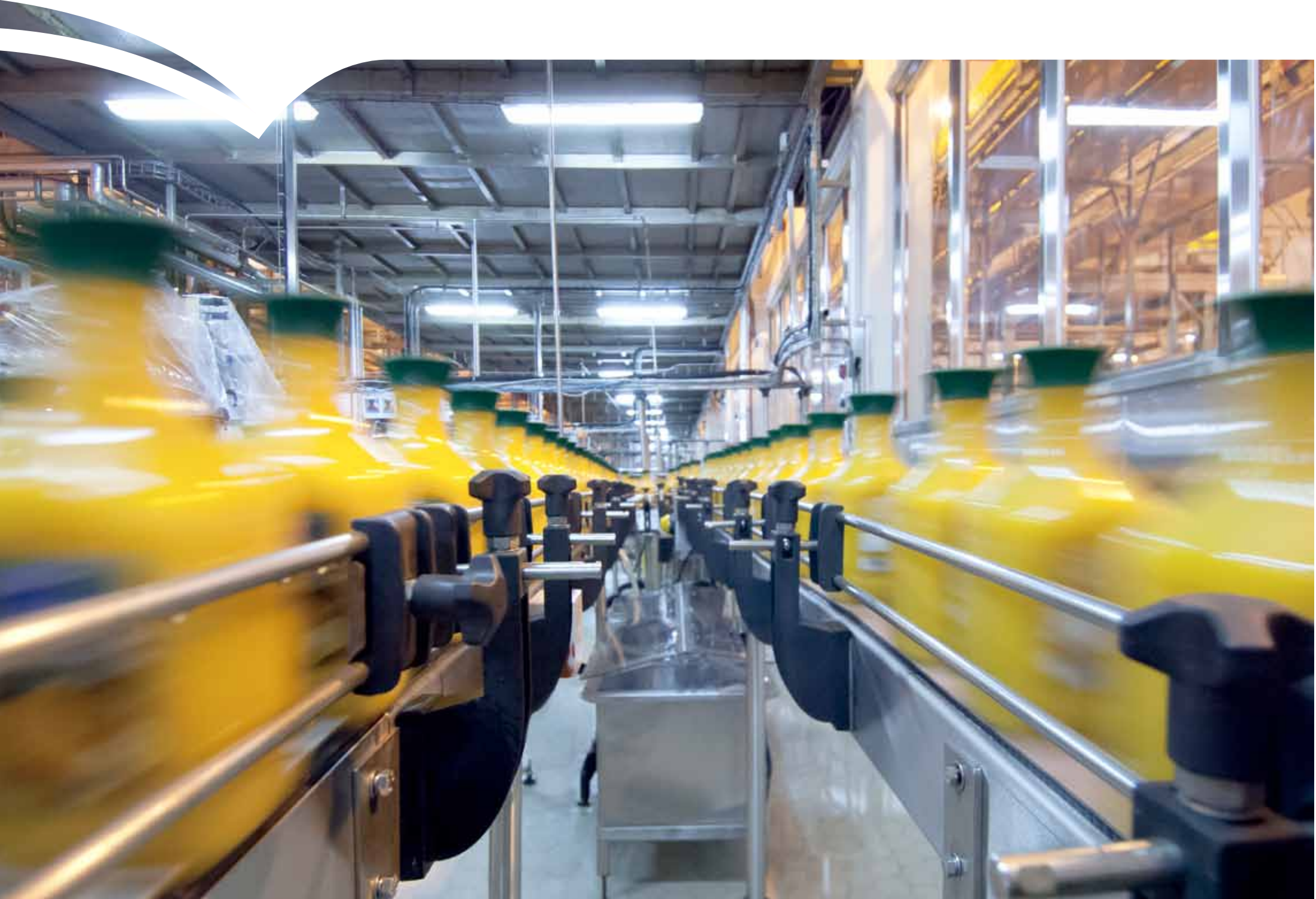
Connecting with Investors

Through effective investor relations' management, Almarai sustains excellent relations with its investors. This facilitates the flow of information to and from investors with utmost transparency.

In 2013, Almarai was entitled "The Best Company in Investor Relations in Saudi Arabia". Almarai's website supports this communication mechanism by showcasing all quarterly and yearly documents and reports in parallel with their announcement on the Capital Market Authority (Tadawul) website. Almarai's website recently ranked 2nd in the Saudi Companies' Websites Awards for managing investor relations.

Connecting with Employees

Almarai constantly develops and enhances communication channels with employees. This helps in determining the degree of employee satisfaction regarding the work environment. In 2013, Almarai surveyed employees to assess the effectiveness of internal communication and identify means of enhancing the two-way management-employee communication channel. Currently, all communication channels are undergoing additional developments. This will resonate across all Almarai divisions and contribute to the creation of an even better work environment.



Major Activities

Almarai is involved in many strategic, operating, promising, and diversified sectors derived from the framework specified in the article three of Almarai By-Laws setting its objectives as below:

- ▶ Production, manufacturing, canning, and distribution of all dairy and cheese products, agricultural products, and foodstuffs as prepared for human or animal consumption.
- ▶ Agriculture and animal production including agricultural crops farming, livestock husbandry and poultry raising, beehives, fisheries, shrimps, any other sea and river products, and other water surface products, raw milk, all types of meat, eggs, and honey production.
- ▶ Establishment, processing, maintenance, and management of cows dairy farms and other agricultural, animal, industrial, and meat processing projects, installation and maintenance of agricultural, industrial, irrigation systems, green houses, and grain silos machineries, renting agricultural equipments, gardens and parks maintenance and landscaping, and plant pests fighting.
- ▶ Investment in industrial sectors particularly in production, canning, packing, marketing, and distribution of all foodstuffs products, fruits, vegetables, dairy products, ice cream, sweets, beverages, sauces, jams, purified water, desalinated gaseous, and mineral water, iced tea and coffee, all non alcoholic beverages, bread, pastry, candies, and other bakery products.
- ▶ Production and distribution of all types of packing materials and accessories, production, packing, import, export, and distribution of vitamins, minerals for upgrading animal feed, all types of fertilizers, trace

elements, agricultural and industrial disinfectants, animal feed, and facilities for dairy, poultry, and fishery farms, and meat processing plants.

- ▶ Wholesale and retail in agricultural crops, food nutrition products, electrical and electronic appliances, agricultural, industrial, and facilities machinery and equipments, household utensils, ready-made clothes, and the import and export of all the above mentioned.
- ▶ Installation, operation, maintenance, improvement, management, and integration of electrical, electronic, agricultural, industrial machinery and equipments, computer and communication networks devices and systems, and provision of all related services.
- ▶ Establishment, operation, and management of hotels, restaurants, rest houses, buffets, coffee shops, and tourism services.
- ▶ Storage and cold stores particularly the ownership, utilization, maintenance, leasing and renting of warehouses and cold stores for food preservation.
- ▶ Commercial agencies and distribution contracts business.
- ▶ Purchase of land, real estate, and factories required to achieve Company objectives.

Also from the same article the Company shall obtain all necessary licenses from the relevant Authorities prior to performing any activity requiring such licenses. Further, and according to the same article, the Company may have interest or participate in any manner with, other organizations or companies engaged in activities similar to those it undertakes or which may help it to realize its objectives. The Company may also merge with, be taken over by or purchase these companies. The Company may also have interest or participate in any form with other companies provided that its level of participation shall not exceed 50% of the shared capital of such companies. The General Assembly must be notified of any such participation at its first coming meeting.

Following its strategy to expand and diversify its product portfolio, the operating activities of Almarai have developed within the following segments:



Dairy



Fresh

The fresh dairy sector is the main sector of Almarai's business representing more than 40% of the Company sales. Almarai, the largest vertically integrated dairy company worldwide, is always striving to enhance its leading position in this sector. This group includes a range of fresh products for the whole family from fresh laban and milk to delicious flavoured milk products and the advanced lacto free milk, vetal milk and vetal laban, all of which are prepared from fresh milk produced by Almarai flock. Almarai fresh liquid products are available in all GCC countries.

Long Life

The product assortment within this category includes Ultra High Temperature (UHT) milk, evaporated milk, whipping cream, cooking cream and UHT cream. Almarai yoghurt production line has seen tremendous improvements in 2013. This investment is in line with Almarai's capital investments objective to use the most advanced technologies to enhance quality products and increase production efficiency. Almarai yogurt is made from 100% natural, fresh, calcium-rich milk. From zabadi , ghishta, and labneh to fruit yogurt and cream caramel, Almarai products are suited for the whole family.





Foods



This category is composed of three key segments: processed cheese including spreadable cheese (jars), slices, portions (triangles and squares) & cheddar (tins and blocks), natural cheese formats including feta, mozzarella and Halloumi and butter together with Ghee.

Leveraging its unparalleled experience in healthy nutrition, in 2013 Almarai has developed within its wide range of foods a variety of new products including luxurious square and slices cheese. The vita cheese packing has been developed as well to be displayed in plastic packs easy to used and re-closed. Almarai's popularity in this segment stems from the constant high quality of its products being the consumers' preferred choice in the Middle East to meet and satisfy family's different tastes. All products are constantly developed to meet the world's highest standards.





Juices



Juices segment, one of the most important segments in Almarai wide collection of high quality food products, has seen great expansions during 2013, supported by new markets outside GCC in the Middle-East in particular Egypt, Jordan and the Levant countries through IDJ. Almarai offers 18 different fresh fruits flavours distributed in all GCC countries and the Middle East (outside of the GCC), Africa and South East Asia.





Poultry



Almarai created the “Alyoum” brand of poultry products at the end of 2010 following the acquisition of HADCO a year earlier. The poultry range includes fresh whole chickens, portion packs and value added products sold to the retail market. 2013 was the soaring year of Almarai poultry sector. With the progressive build-up of its new production facility in Hail, two new production lines started during 2013, within the investment approved by the Board of Directors for an amount of SAR 4.3 billion.

A variety of innovated products were launched in the poultry sector for the first time in the Kingdom of Saudi Arabia. “Alyoum” has commenced its continuous process of expanding its product offering, which today reaches more than 15 products available in more than 11,000 outlets within the GCC Countries available in supermarkets and small groceries. During 2013 alone “Alyoum” launched following products : whole chicken, marinated selected cuts in laban, lemon, and curry with three different flavours, and hot chilli flavour, hot and plain burger and chicken kebab.





Bakery



L'usine

Almarai has maintained a leading position in the bakery sector through two popular commercial brands; "L'usine" and "7Days", given the highest sales growth for new products launched every year.

"L'usine" portfolio of quality products are classified into four groups: bread, pastries, cakes, and (maamoul and sambosa) which are all distributed in the entire Kingdom of Saudi Arabia and the GCC countries.





Bakery



7Days

"7Days" brand, gaining immense popularity for its high quality, features several croissant products with different flavours, cake and Swiss-rolls having huge consumers' preference for delicious taste and high quality as well.

During 2013 eleven new bakery products were launched; as "L'usine" launched wafer with strawberry and cappuccino flavours, caramel cup-cake, bread slices, bread toast, cheese and thyme Tasbeerah, and wafer cubes. Under the commercial brand "7Days" chocolate Swiss-rolls, family Swiss-rolls, berries and chocolate cake-bar, and "7Days" croissant (Tasbeerah= Pastry) were launched as well.





Arable & Horticulture



Arable and horticultural operations, includes dates, olive oil, grapes and wheat from the Almarai arable and horticulture facilities located throughout the Kingdom of Saudi Arabia.





Infant Nutrition



This segment has seen tremendous developments during 2013 with the start of the commercial production of infant formula. Almarai entered this sector in 2010, and has invested more than SAR 1.0 billion to construct a state-of-the-art infant formula plant on its Al Kharj site. At the same time, Almarai founded the International Pediatric Nutrition Company (IPNC), a 50:50 joint venture with Mead Johnson to produce high quality infant formula locally under the brand "Almarai Enfagrow". In 2013 the two parties agreed to restructure the company whereby Almarai will own 100% of the share capital. Some facts and records on this segment are illustrated as follows:

- ▶ The Almarai Infant Formula Plant is the first of its kind in the region with a production capacity sufficient to cover the whole local consumption of infant formula.
- ▶ The Almarai Infant Formula Plant was awarded the ISO Certificate 2005 – 22000 whereby the plant is applying highest quality measurements to ensure providing the best nutrition to infants and children in the Kingdom of Saudi Arabia in their early life by giving them the best quality nutrition elements.
- ▶ The Tri-feeding System "Almarai Enfagrow" product offered by IPNC is the only infant formula in the Kingdom of Saudi Arabia containing Tri-feeding system, proving infants with an ideal bunch of 29 nutrition elements complementary to the body of the infant from 1 – 3 years old, which will assist them to gain ideal balanced mental and physical growth.



Almarai Group

Almarai operates its business, in the Kingdom and abroad, through a variety of subsidiaries, joint ventures, associates and agency relationships. Almarai operates its business, directly or indirectly, through subsidiaries, in which Almarai maintains long term investments and exerts effective control by having the full capacity to lead and direct its economic performance, financial policies and operational processes. Almarai consolidates its financial operations and results as one business unit issuing Consolidated Financial Statements at the level of the Group as a whole after elimination of all significant inter group balances and transactions. Minority interests represent the portion of profit or loss and net assets not dominated or controlled by the Group and are presented separately in the Consolidated Income Statement and Balance Sheet. The following table sets out the Consolidated Subsidiary Companies names, capital, ownership interest, business activity, country of operation and country of incorporation. Note that there are no shares or debt instruments issued to any of these entities.

Name of Subsidiary	Country of Incorporation	Country of Operation	Business Activity	Functional Currency	Ownership Interest				Shares	
					2013		2012		Capital	Issued
					Direct (a)	Effective	Direct (a)	Effective		
Almarai Investment Company Limited	Saudi Arabia	-	Holding Company	SAR	100%	100%	100%	100%	SAR 1,000,000	100,000
Almarai Baby Food Company Limited	Saudi Arabia	Saudi Arabia	Manufacturing and Trading Company	SAR	100%	100%	100%	100%	SAR 200,000,000	20,000,000
Hail Agricultural Development Company	Saudi Arabia	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	100%	100%	SAR 300,000,000	30,000,000
Western Bakeries Company Limited	Saudi Arabia	Saudi Arabia	Bakery Company	SAR	100%	100%	100%	100%	SAR 200,000,000	200,000
International Baking Services Company Limited	Saudi Arabia	-	Holding Company	SAR	100%	100%	100%	100%	SAR 500,000	500
Modern Food Industries Limited	Saudi Arabia	Saudi Arabia	Bakery Company	SAR	60%	60%	60%	60%	SAR 70,000,000	70,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Saudi Arabia	Agricultural Company	SAR	52%	52%	52%	52%	SAR 25,000,000	250
Nourlac Company Limited	Saudi Arabia	Saudi Arabia	Trading Company	SAR	100%	100%	100%	100%	SAR 3,000,000	3,000
Fondomonte El Descanso S.A.	Argentina	Argentina	Agricultural Company	ARG	100%	100%	100%	100%	ARG 27,475,914	27,475,914
Fondomonte Inversiones Argentina S.A.	Argentina	Argentina	Agricultural Company	ARG	100%	100%	100%	100%	ARG 17,849,997	17,849,997
Fondomonte Sandoval S.A.	Argentina	Argentina	Agricultural Company	ARG	100%	100%	100%	100%	ARG 4,383,432	4,383,432
Agro Terra S.A.	Argentina	-	Dormant	ARG	100%	100%	100%	100%	ARG 475,875	475,875
Almarai Company Bahrain S.P.C.	Bahrain	Bahrain	Sales Company	BHD	100%	100%	100%	100%	BHD 100,000	2,000

Name of Subsidiary	Country of Incorporation	Country of Operation	Business Activity	Functional Currency	Ownership Interest				Shares	
					Direct (a)	Effective	Direct (a)	Effective	Capital	Issued
Almarai International Holding W.L.L.	Bahrain	-	Holding Company	BHD	100%	100%	100%	100%	BHD 250,000	2,500
Almarai Investment Holding Company W.L.L.	Bahrain	-	Holding Company	BHD	100%	100%	100%	100%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	-	Holding Company	BHD	100%	52%	100%	52%	BHD 250,000	2,500
International Dairy and Juice Limited	Bermuda	-	Holding Company	USD	52%	52%	52%	52%	USD 7,583,334	7,583,334
International Dairy and Juice (Egypt) Limited	Egypt	-	Holding Company	EGP	100%	52%	100%	52%	EGP 155,000,000	15,500,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Egypt	Manufacturing and Trading Company	EGP	100%	52%	100%	52%	EGP 418,000,000	41,800,000
Markley Holdings Limited	Jersey	Jersey	Dormant	GBP	100%	100%	100%	100%	-	-
Teeba Investment for Developed Food Processing	Jordan	Jordan	Manufacturing Company	JOD	100%	52%	75%	39%	JOD 49,675,352	49,675,352
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Jordan	Manufacturing Company	JOD	100%	52%	100%	39%	JOD 500,000	500,000
Al Muthedoon for Dairy Production	Jordan	Jordan	Manufacturing Company	JOD	100%	52%	100%	39%	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Jordan	Agricultural Company	JOD	100%	52%	100%	39%	JOD 750,000	750,000
Al Namouthija for Plastic Production	Jordan	Jordan	Manufacturing Company	JOD	100%	52%	100%	39%	JOD 250,000	250,000
Arabian Planets for Trade and Marketing L.L.C.	Oman	Oman	Sales Company	OMR	90%	90%	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Oman	Sales Company	OMR	100%	100%	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	-	Holding Company	EUR	100%	100%	100%	100%	EUR 13,000,000	13,000,000
International Dairy and Juice (Dubai) Limited	United Arab Emirates	United Arab Emirates	Holding Company	USD	100%	52%	100%	52%	USD 22,042,183	22,042,183
Almarai Emirates Company L.L.C.	United Arab Emirates	United Arab Emirates	Sales Company	AED	100%	100%	100%	100%	AED 300,000 (Unpaid)	300

Key Achievements for 2013

Almarai General Achievements

Almarai Capital Increase

On 9 September 2013, Almarai's shareholders at their Extraordinary General Assembly Meeting approved the increase in Share Capital of the Company from SAR 4,000 million to SAR 6,000 million by issuing one bonus share for every two existing shares. The increase was financed from Almarai's retained earnings.

The purpose of this capital increase was to ensure the appropriateness of the capital of the Company, in relation to its assets size, and was designed to support the strategic capital investment program amounting to SAR 15.7 billion for the coming five years. This investment program has been decided by the Board of Directors on 29 May 2012, to achieve the set targets of growth and development in all business segments for Almarai. These investments aim, on the one hand, to enhance production capacities in farming, processing, distribution, and transportation, and on the other to invest in improvements of existing products, new products, operations efficiencies, utilization of available resources, improvement and training of National manpower.

The International Dairy & Juice Company increases its Equity in one of its Investments

On 9 April 2013, International Dairy and Juice Company (IDJ), then a 52:48 joint venture between Pepsico and Almarai, has entered into an agreement to increase its share capital in Teeba Investment and Improved Food Processing Company (Teeba) operating in Jordan, from 75% to 100% by acquiring the non controlling interest for a total consideration of 12 million Jordan Dinar purposely to reorganize Teeba's equity structure and facilitate the IDJ's shareholders initiatives to improve Teeba's operating and financial performance.

Issuance of a Second Private Placement Sukuk

During March 2013, Almarai has successfully concluded the offering of its second Sukuk issuance, fully compatible with Islamic Shariah, for an amount of SAR 1.3 billion, to sophisticated investors resident in the Kingdom of Saudi Arabia. This issuance was the second tranche of the SAR 2.3 billion Sukuk program approved on November 19th 2011 by Almarai's shareholders during the Extraordinary General Assembly. The first tranche of SAR 1.0 billion of this program had been successfully completed on 7 March 2012. The total order book for the second tranche reached SAR 2.4 billion, that is 1.9 times the issuance size. It was issued on a floating rate basis, at very competitive terms, with two maturities of five and seven years. The terms and success of this transaction reflects the solid support from the fixed income investor's community to the Almarai Sukuk issuance. The investor details are as follows:

(SAR Million)	Value	Sukuk Investors Type	
		Investor Type	Percentage
Sukuk - Second tranche	1,300.0	Institutions of government and quasi-government	12.1%
		Companies	6.8%
		Financial institutions	74.2%
		Mutual Funds	6.9%
		Individual	-
		Total	100.0%

The United Farmers Holding Company (UHFC) and Continental Farmers Group Plc. (CFG):

On 25 March 2013, UHFC was incorporated as a limited liability company in the Kingdom of Saudi Arabia. Almarai has contributed 33% of the total share capital of SAR 1.0 million; the other partners in UHFC are Saudi Agricultural and Livestock Investment Company (SALIC) and Saudi Grains and Fodder Holding Company (SAGAF). UHFC will be one of the investment arms for the cultivation of fodder and agricultural crops outside the Kingdom of Saudi Arabia.

On 13 June 2013, the shareholders of UHFC and CFG obtained the approval on the recommended cash acquisition by UHFC of the entire issued and to be issued share capital of CFG. The approval was granted by the High Court of Justice of the Isle of Man at a hearing on 11 June 2013 under Section 157 of the Isle of Man Companies' Act issued in 2006 to effect the recommended cash acquisition by UHFC of the entire issued ordinary share capital of CFG on the terms set out in a circular dispatched by CFG to its shareholders on 25 April 2013. Accordingly, the acquisition was effective from 13 June 2013.

CFG is a diversified agricultural producer whose principal activity is the cultivation and distribution of arable crops. CFG has under management approximately 24,000 hectares in Ukraine and 2,700 hectares in Poland. Its high quality land portfolio has been developed by an experienced team, using advanced farming techniques, and local infrastructure and logistics capacities. CFG has a strong record in terms of production, operation efficiency and economies of scale.

The total consideration for this transaction amounted to GBP 61.5 million, equivalent to SAR 350 million,

and has been paid by way of non-interest bearing, committed loans from the three UHFC's shareholders each in proportion of its shareholding interest into UHFC. Almarai has financed its share by operating cash flow and Murabaha facilities provided by commercial banks.

This transaction will further broaden Almarai's international vertical integration of feed stuffs supply in line with its long term strategy.

Progresses on Almarai's integrated farming and production facilities in Hail:

2013 saw the partial commercial commissioning of its poultry farming facilities as well as the commissioning of two out of three lines of its processing plant, as set in the Company's strategic plan. The commissioning is subject to the successful completion of all quality tests paving the way to full commercial operation, the remaining production line shall be completed during 2014 to reach 3 lines for the production of a wide range of poultry products. The project span is large and complex and is composed of various components including parent farms, hatcheries, broiler farms, feed mills, a processing plant as well as related utilities and services. In parallel to the commissioning of these facilities, Almarai has also expanded its poultry distribution capabilities.

With these major milestones completed, a gradual increase in the designed capacity will take place. The full potential of the investment will be realised through additional volumes, up to a target of 200 million birds per annum at project completion, compared with a capacity of 25 million birds in the old poultry project.



Issuance of Perpetual Sukuk: Given Almarai's innovated and diversified approach in financing, during 2013 the Company has successfully concluded the issuance of its first perpetual Sukuk. The issuance, reserved for sophisticated investors resident in the Kingdom of Saudi Arabia had a nominal value of SAR 1.0 million per one Sukuk, for a total amount of SAR 1.7 billion. This Sukuk issuance, fully compatible with Islamic Shariah, was issued on a floating rate basis, is a perpetual senior Sukuk callable after 5 years. This perpetual Sukuk, the first of this kind by a Corporate in the entire GCC, is classified as equity given its perpetual nature and other equity like characteristics without the voting rights. The investor's details are as follows:

(SAR Million)	Value	Sukuk Investors Type	
		Investor Type	Percentage
Perpetual Sukuk	1,700.0	Institutions of government and quasi-government	10.0%
		Companies	10.2%
		Financial institutions	40.5%
		Mutual Funds	33.8%
		Individual	5.5%
		Total	100.0%

Almarai Announcements in the Saudi Stock Exchange: 2013 was busy with many events and strategic activities which Almarai has diligently announced during the course of the year, without discrimination among shareholders. The most important events and activities and substantial strategic decisions were announced in both official websites of the Saudi Stock Exchange (Tadawul) and Almarai Company through 31 announcements addressed to Almarai's shareholders. The following table summarises those announcements by date, type and subject matter:

Series	Date	Type of the Announcement	Announcement Subject
1	19.01.2013	Financial Results	Announce the audited consolidated financial results for the year ended 31 December 2012
2	19.01.2013	Pay cash dividend	Announce to pay cash dividend totally SAR 500 million for the financial year 2012
3	19.02.2013	General Assembly Meeting	Almarai invites its shareholders to the Extraordinary General Assembly Meeting
4	04.03.2013	Append announcement	Announce the plan to issue the second tranche SAR-denominated Sukuk under the Sukuk Program
5	13.03.2013	Notice to shareholders	Notify the shareholders that electronic voting shall be available to enable them to vote on the items of its EGAM which will be held on 02 April 2013
6	25.03.2013	Investment announcement	Announcement of incorporation of United Farmers Holding Company; a Limited Liability Company
7	30.03.2013	Reminder announcement	Reminder invitation to the shareholders to attend the Extraordinary General Assembly Meeting
8	30.03.2013	Acquisition announcement	United Farmers Holding Company offering to acquire Continental Farmers Group plc (CFG)
9	01.04.2013	Append announcement	Announce successfully raised second Sukuk tranche with an amount of SAR 1.3 billion
10	03.04.2013	General Assembly Meeting Results	Announces the results of the Extraordinary General Assembly Meeting
11	06.04.2013	Financial Results	Announces the interim consolidated financial results for the period ended 31 March 2013
12	06.04.2013	Append announcement	Addendum to announcement related to the Q1 Results to clarify the earnings per share
13	09.04.2013	Share increase	Announce about signed an agreement to increase the stake in Teeba Investment for Developed Food Processing Co. from 75% to 100% through the purchase of the minority shareholding of 25%
14	29.05.2013	Proposes to increase the share capital	Announcement about the Board of Directors recommendation to increase in the share capital through issuance of bonus share of Almarai from SAR 4.0 billion to SAR 6.0 billion an increase of 50% distribution of retained earnings
15	29.05.2013	Append announcement	Announcement of the reason for the recommendation from Board of Director to increase the share capital, wants to adjust its share capital with its assets and hence support Almarai investment plan of SAR 15.7 billion.
16	12.06.2013	Append announcement	Announcement of the regulatory approval to implement the process of acquisition by UFHC of the entire issued and to be issued ordinary share capital of CFG
17	07.07.2013	Financial Results	Announces the interim consolidated financial results for the period ended 30 June 2013
18	08.07.2013	Append announcement	Announces the progress on the integrated poultry farming and production facilities Which illustrates the partial commercial commissioning of farming facilities as well as the first two, of three planned, production lines
19	30.07.2013	General Assembly Meeting	Announcement to invite shareholders to attend the extraordinary general assembly meeting for discussion of Increase in share capital and other items on 9th September 2013

Series	Date	Type of the Announcement	Announcement Subject
20	31.07.2013	Append announcement	Announcement of the reason to invite shareholders to attend the EGAM for approving increase the share capital, to adjust the share capital with the assets and hence support Almarai investment plan of SAR 15.7 billion.
21	18.08.2013	Board of Director forming	Announcement of board of director forming for the new cycle appointment Chairman, Managing Director and Secretary of the Board of Directors. And form the committees of the Board of Directors (the Executive Committee, the Nomination and Remuneration Committee and the Audit and risks Committee)
22	01.09.2013	Notice to shareholders	Notify the shareholders that electronic voting shall be available to enable them to vote on the items of its EGAM which will be held on 09 September 2013
23	04.09.2013	Append announcement	Announcement of the plan to issue the first Perpetual Sukuk and would be a SAR-denominated issuance, amounting up to SAR 1.7 billion
24	04.09.2013	Reminder announcement	Reminder invitation to the shareholders to attend the Extraordinary General Assembly Meeting for discussion of Increase in share capital
25	10.09.2013	General Assembly Meeting Results	Announces the results of the Extraordinary General Assembly Meeting to increase the share capital
26	01.10.2013	Append announcement	Announce that the first Perpetual Sukuk issuance has successfully raised an amount of SAR 1.7 billion, and this issue was a private offering to sophisticated investors
27	06.10.2013	Financial Results	Announces the interim consolidated financial results for the period ended 30 September 2013
28	27.10.2013	Notice to shareholders	Announce the completion of sale to fractions shares arising out of the company's capital increase, and the time manner of distribution resulting fractions shares
29	08.12.2013	Restructuring announcement	Announce restructuring of International Pediatric Nutrition Company, its joint venture with Mead Johnson Nutrition
30	08.12.2013	Pay cash dividend	Announce to pay cash dividend amounting of SAR 600 million for the financial year 2013
31	08.12.2013	Append announcement	Addendum announcement related to restructuring of International Pediatric Nutrition Company

Prominent Awards and International Rankings:

Euromoney Award for the best managed company in the Middle East 2013:

Almarai won the International Euromoney Group Award for the best managed company in the Middle East for 2013. The Euromoney poll is a highly transparent and professional event where a variety of specialized banks, popular investors and financial institutions share in the performance analyses. Furthermore, companies performances around the world which are part of the poll, are analysed through accurate and thorough financial reviews to provide the most accurate and realistic reading of their performances.

Saudi Super Brand 2013:

Almarai, the largest vertically integrated dairy company in the world, won the Saudi Super Brand where Almarai was chosen by consumers and the Jury Award. This award is considered as a certificate from clients, consumers, suppliers, and communication media showing the strong position of the Almarai brand. The Saudi Super Brand Board is the largest independent association concerned with leading international brands. The board consists of a variety of elite personalities involved in this field. It pursues to honour leading international brands and issues a series of publications focus on brands winning Super Brand award throughout the world.

The best in Investors Relations 2013:

In 2013 Almarai won the award of the best Saudi company in Investors Relations in the 4th. Annual conference held by the Investors Relations Association in the Middle East, where 293 persons representing 137 corporations dealing in the stock market in the Middle East, USA and Europe have shared in voting through an independent poll organized by Thompson Reuters about Investors Relations.

The Strongest Arabian Companies 2013:

Almarai has maintained its position within Forbes list – Middle East for the strongest companies in the Arab world, topping the food processing sector. Forbes list categorizes the largest and most important Arabian companies listed in the Arabian stock exchange and financial institutions based on the values of sales, profits, assets and market value.

The Largest Saudi Companies:

In 2013 Almarai has enhanced its position within the Saudi Research & Publishing Company list for the largest Saudi companies with an advanced position over the previous year.

The World's Biggest Public Companies:

In 2013 Almarai has entered the top 2000 companies of the world as ranked by Forbes.

Key Achievements for 2013

Operational Achievements

Our most prominent operational achievements during 2013 were as follows:

Arable Farming:

With the acquisition of Fondomonte in Argentina in 2011 and its subsequent expansion in 2013, the acquisition of the 33% stake in UFHC with land in Ukraine and Poland in 2013, Almarai manages directly or indirectly outside of the Kingdom approximately 56,000 hectares (560 km²).

Arable farming has achieved during 2013:

- ▶ Wheat 9.96 MT / hectare
- ▶ Alfalfa 24.60 MT / hectare
- ▶ Corn 13.72 MT / hectare

Dairy Farming:

On 31 December 2013 dairy farming, both Al Fanar and Al Rabiah farms, have achieved in 2013 a Rolling Herd Average (RHA) of above 14,000 litres. Overall the Company achieved a RHA of 13,548 litres in 2013. The average yield per cow per day reached 41.1 litres with a fat content of 3.42%. The total herd at the end December 2013 was 142,043 animals.

Another achievement was the speed of the execution and realization of the Al Rabiah farm expansion.

Operations:

The Operations, which regroup all production facilities and related infrastructure, worked well during 2013. The division has been successful in always providing quality products for the full portfolio on time. Through the various LEAN initiatives Operations has been able to increase its capacity, de-bottleneck critical paths and bring services to sales across all categories at a record high level of volumes. The most salient highlights are as follows:

- ▶ Loss in process gain, through improved planning and LEAN initiatives produced a saving in excess of SAR 31 million.
- ▶ Total sliced bread manufactured volume grew by 47%, with in an increase of more than 55% at Plant 5 in Al Kharj.
- ▶ Investment in efficiency projects helped drive output per person up by 30% in bakery.
- ▶ A 41% reduction in consumer and customer complaints in bakery.

Transport & Logistics:

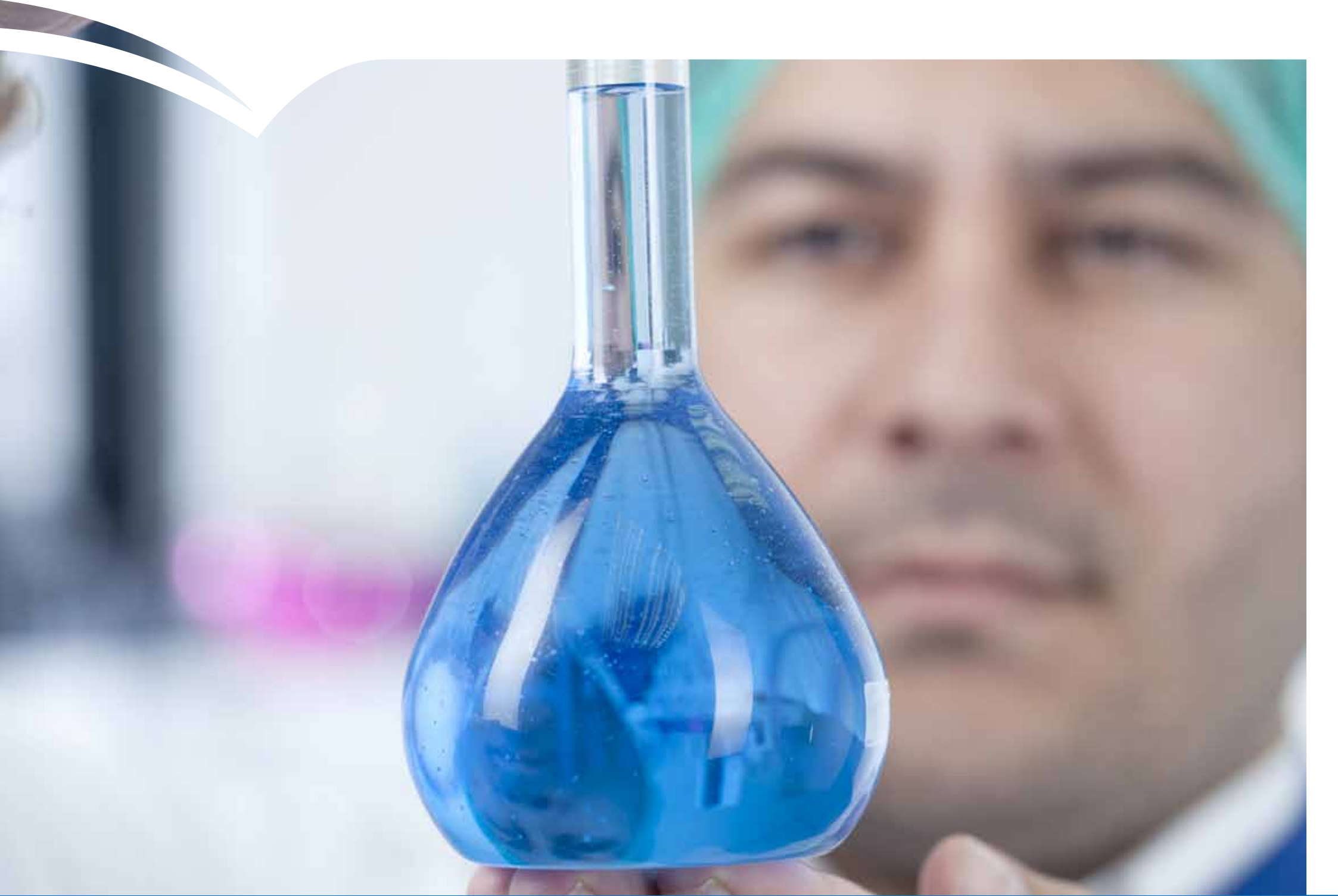
Transport and Logistic delivered a solid performance in servicing both sales and operations. In 2013, the transport and logistics vehicles (1,220 tractors, 71 milk tankers, 19 silo tankers) drove 208.5 million kms. Almarai's vehicles in 2013 did an equivalent to a return trip to the moon every 3rd day, or circle the globe every 100 minutes, in transporting more than 1.6 million tons of products.

Sales:

Almarai's Sales division sold in 2013 to more than 50,000 customers. Four new sales depots have been opened in Gizan, Tabuk, Nizwa and Dubai. The effort put behind the collection of receivables has been, as usual, impressive in bringing the days sales outstanding further down to 50 days. For the first time Almarai sold more than SAR 1.0 billion of both Zabadi and L'Usine products. During 2013, Almarai has through the LEAN project initiative, revisited its overall operation process to unlock efficiencies along its sales supply chain by redefining its distribution value streams. While the tangible benefits are expected during 2014 onward, the basis of its re-engineered approach is in place as well as the underlying applications systems. The way Almarai sales team is rewarded has also been revisited to drive the Company's performance even higher, particularly in the fields of wastage and out of stocks.

Poultry:

Poultry performance in 2013 has been challenging and generated a loss for the year. Almarai teams are developing their best efforts to bring the Poultry business Unit to the highest level of performance in line with the international standards in this product category. During the year Almarai commercially commissioned the largest poultry processing plant in the world. Two of the three lines are now operating and will soon be in a position to process more than 200 million birds per annum. Poultry sales expanded its customer base from 5,600 to 11,000 (+96%), route expansion from 184 to 397 (+116%) and 9 new depots have been opened.



Key Achievements for 2013

Research and Development (New Product)

The Almarai vision of research and development involves continuous search for healthy products of high quality nutrition value to consumer's satisfaction and tastes, through constant analyses of consumers' demands and study of potential choices. To implement its vision, Almarai depends on innovation to develop new products through scientific mechanisms aiming at increasing the number of new products launches and enriching consumers' lives.

Back in 2009, Almarai had started an initiative called "Almarai for Innovation Management" which is at the center of its innovation activities. During 2013 Almarai has developed 22 new products under its various brands.

Key innovation initiatives were introduced in 2013 across all categories. Under the Almarai brand these included Premium Cheese Slices and Premium Feta Cheese. For the L'Usine brand launches of 'Best of Both Bread' and 'Mini Loaf' were completed. Under the Alyoum brand the first value added products were introduced, Marinated Whole Chicken and portions in three exciting flavors alongside a new range of Chicken Burgers and Kababs.

New Products:

Dairy	Food	Juices	Poultry	Bakery Products
Chocolate milkshake,	Premium cheese squares	Premium apple juice	Marinated chicken	7Days
Tea milk	Premium cheese slices	Premium orange juice	Chicken burger	Chocolate Swiss Roll
Long-life Vetal milk	Feta cheese in plastic packs		Chicken kebab	Swiss Roll – family size
				Berries and chocolate cake bar
				7Days double-filling croissant
				L'usine
				Strawberry wafer biscuits
				Cappuccino wafer biscuits
				Crème caramel cups
				Bread slices
				Whole-grain toast
				Cheese and zaatar snack
				Wafer cubes



Key Achievements for 2013

Financial Review

Almarai achieved sales of SAR 11,219.2 million in 2013 – another record for the Group, representing an increase of 13.5% over the previous year. Operating Income also reached record level at SAR 1,796.6 million, representing an increase of 7.4% over the previous year. Cash flow from operating activities amounted to SAR 2,585.6 million, representing 23.0% of sales.

Sales growth was strong across all fresh product categories, collectively growing an impressive 17.3% over 2012. Fresh dairy and juice grew by 14.8%, bakery by 12.0% and poultry the strongest growth at 57.1%.

The dairy and juice segment has seen its profitability grown by 18.7% over 2012, led by fresh dairy (14.1% revenue growth) and juice (17.1% revenue growth). Cheese and butter, while remaining profitable, has achieved modest revenue growth of 3.0% and the long life dairy category has been challenged by increasing dairy commodity prices and margin erosion in the other GCC countries.

The bakery segment growth of 11.9% has been led by fresh bread with additional manufacturing and gulf distribution capacity supporting this profitable growth.

During 2013, dairy commodity costs increased significantly but effective portfolio management and improving juice input prices have improved the ratio of Direct Material Costs to Sales; a decrease from 43.3% in 2012 to 42.3%. Further expansion of our distribution capabilities throughout the GCC, to support increasing fresh demand, particularly Poultry, has seen Selling & Distribution expenses increase 15.7% over 2012. General and Administration expenses, once normalised for the one off capital gain of SAR 47.2 million realised in 2012, has been tightly controlled and are recording a modest increase of 6.0% over 2012.

Overall this strong core operating performance resulted in EBITDA reaching SAR 2,734.1 million, an increase from 2012 of 14.5%, and representing 24.4% of sales (24.2% in 2012). Commissioning of recent capital investment programs, not yet operating at capacity, has seen depreciation of property, plant & equipment and funding costs increases of 24.7% and 42.4% respectively, restricting EBIT growth to 7.4% and Net Income growth to 4.3%. In 2013, EBIT and Net Income represent 16.0% and 13.4% of sales (2012: 16.9% and 14.6%).

Our investment program continued during 2013, reaching SAR 2,878.5 million overall. The investment in the Poultry segment, as well as the expansion of our farming, manufacturing and distribution capabilities constitute the majority of our investment. This investment is in line with our long term strategic plan and is essential to enable us to meet growing consumer demand.

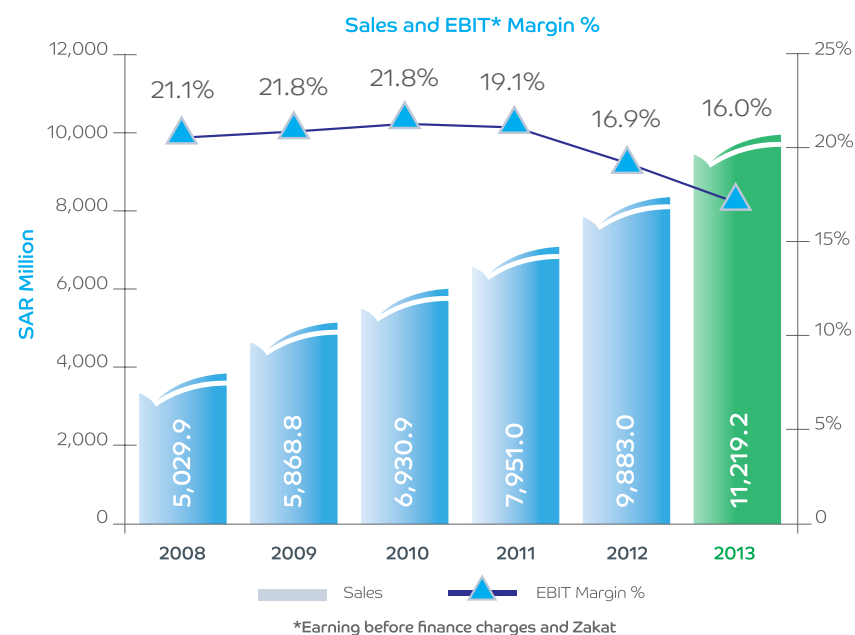
The investments into property, plant and equipment and working capital, necessary to cope with increasing consumer demand, have been funded through operating cash flows, and two very different Sukuk issuances. The first Sukuk issuance of 2013 totalled SAR 1,300.0 million was a debt issuance. The second issuance of 2013 SAR 1,700.0 million was a perpetual Sukuk, and was the first of its kind in the Kingdom of Saudi Arabia. Its perpetual nature results in the instrument being classified as equity and strengthens Almarai's balance sheet moving into 2014 and beyond.

Income Statement:

The following analyses show the significant changes which have occurred in the Almarai consolidated Income Statement, compared with 2012:

- ▶ Almarai achieved sales revenue of SAR 11.2 billion growing 13.5% over 2012.
- ▶ The gross profit margin has largely remained consistent with last year with direct material cost improvements partially mitigating increasing depreciation and payroll costs.
- ▶ Further expansion of our distribution capabilities throughout the GCC to support increasing fresh demand, particularly Poultry, has seen Selling & Distribution expenses increase 15.7% over 2012.
- ▶ Net operating income has grown by 7.4% over 2012, but has been diluted by increasing depreciation and payroll costs as a result of the investment program.
- ▶ Net Income increased by 4.3% to reach SAR 1,502.2 million, the highest level ever achieved by Almarai, representing 13.4% of total sales.

SAR Million	Income Statement Summary				Contribution	
	2013	2012	Change		2013	2012
			Value	Percentage		
Sales	11,219.2	9,883.0	1,336.2	13.5%	100%	100%
Cost of Sales	(7,267.3)	(6,371.9)	(895.4)	14.1%	-64.8%	-64.5%
Gross Profit	3,951.8	3,511.1	440.8	12.6%	35.2%	35.5%
Selling and Distribution Expenses	(1,870.5)	(1,616.7)	(253.7)	15.7%	-16.7%	-16.4%
General and Administration Expenses	(284.8)	(221.4)	(63.4)	28.6%	-2.5%	-2.2%
Net Operating Income	1,796.6	1,672.9	123.7	7.4%	16.0%	16.9%
Net Income	1,502.2	1,440.6	61.6	4.3%	13.4%	14.6%



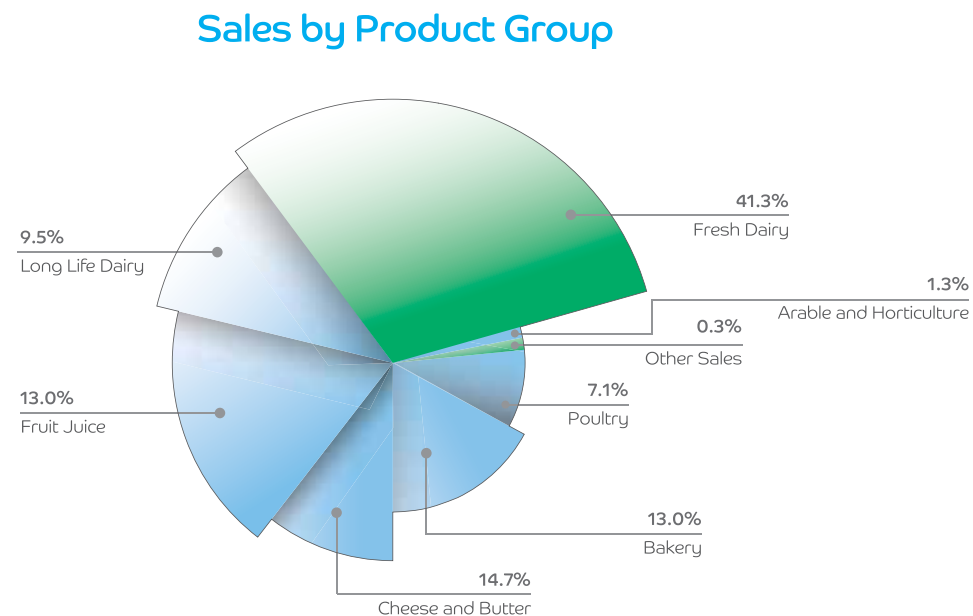
Sales by Product Groups:

The table below illustrates the continuous growth in sales by product group:

Sales by Product Group(SAR Million)	Year Ended 31 December		
	2013	2012	% Change
Fresh Dairy	4,635.9	4,062.1	14.1%
Long-Life Dairy	1,070.6	1,016.2	5.4%
Cheese & Butter	1,649.3	1,601.8	3.0%
Fruit Juice	1,456.3	1,243.2	17.1%
Bakery	1,445.1	1,290.6	12.0%
Poultry	792.3	504.4	57.1%
Product Sales	11,049.5	9,718.3	11.0%
Arable & Horticulture	141.4	115.3	22.6%
Other Sales	28.2	49.4	(42.8%)
Total Sales	11,219.2	9,883.0	13.5%

All major categories delivered robust growth with particularly strong growth recorded in fresh product categories (+17.3%), contributing to the Group's overall Sales growth of +13.5%.

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



Fresh Dairy:

ore products within the flagship Fresh Dairy business unit include fresh milk, laban, zabadi (plain yoghurt), labneh, fresh cream, fruit yoghurts and dairy desserts. Fresh Dairy continued to deliver strong results with revenue growing to SAR 4,635.9 million (+14.1% growth from 2012).

Consistent focus on executing with excellence business fundamentals resulted in a favourable 2013 performance. Within Almarai, 'Quality You Can Trust' remains the key guiding principle. The highest quality products continue to be manufactured and delivered to more than 40,000 retail outlets on a daily basis enabling families across the GCC to enjoy their favourite products each & every day. Ongoing marketing investment ensures Almarai continues to exceed consumer expectations - impactful communication campaigns strengthen the brands appeal whilst innovation around new products, line extensions and packaging improvements further add to consumer delight.

Long-Life Dairy:

Product assortment within the portfolio includes UHT milk, evaporated milk, whipping cream, cooking cream and UHT cream. The Long Life Dairy category realized solid growth with revenue reaching SAR 1,070.6 million (+5.4% growth from 2012).

Significant increases in global commodity prices created margin pressures within the Long Life Dairy sector. Category development with increased focus on portfolio management will ensure sustainable growth over the medium-long term.

Cheese and Butter:

A broad based portfolio spanning 3 key segments:

- ▶ Processed Cheese including spreadable cheese (jars), slices, portions (triangles & squares) & cheddar (tins & blocks).
- ▶ Natural Cheese formats comprising Feta, Mozzarella & Halloumi.
- ▶ Butter together with Ghee.

2013 proved to be a challenging year with the category witnessing a much higher level of competitor activity with deep price discounting becoming ever more prevalent. Marketing and sales initiatives focused on defending volume and market share resulting in revenue reaching to SAR 1,649.3 million delivering moderate growth of +3.0%.

Fruit Juice:

Almarai Juice is the leading juice brand in GCC countries. The category for 2013 includes 18 flavours with variety of juices with indulgent flavours and refreshing juice drinks. After crossing the SAR 1.0 billion revenue milestone in 2012, the category continued to perform strongly, with a focus on consolidation and delivering higher gross margins and consumer usage indicators. Almarai has revamped and re-defined the category with superior and innovative offerings. It also has well-differentiated value propositions, a rich heritage and very strong equity. Higher consumer preference was driven from consistent product quality, relevant flavours for targeted consumers, focussed communication and unparalleled distribution. Strong growth in all GCC countries, as well as Egypt and Jordan, has seen revenue grow +17.1% over 2012 to record sales of SAR 1,456.3 million for 2013.

Bakery:

Almarai bakery products are marketed under the "L'usine" and "7Days" brands.

2013 has been a landmark year for brand "L'usine" as it crossed the SAR 1.0 billion revenue threshold for the first time. This milestone was realized with concerted efforts in improving packaging graphics, product improvement with superiority over competitive set, enhanced distribution and in-store presence across GCC, new manufacturing capacity becoming available and sustained brand building communication. "L'usine" launched a number of consumer tested new products during the course of the year including Best of Both sliced bread, Half loaf, Cheese and Zaatar puff & Wafer cubes that found acceptance with consumers.

"7Days" has maintained its market leadership across its entire portfolio by executing a robust and continuous communication plan, improving in-store visibility through merchandizing and distribution and by introducing consumer tested flavour launches across croissants, cake bars and Swiss rolls which have pulled together substantial consumer following in 2013.

Overall Bakery growth from 2012 was +12.0% to total SAR 1,445.1 million of revenue in 2013.

Poultry:

In April 2013, the new state of the art poultry premises in Hail started adding volume to fuel "Alyoum" brand growth in the Kingdom and allowing a soft entry to four neighboring GCC markets (UAE, Qatar, Bahrain & Kuwait). Sales volume has increased by +85% compared to 2012 allowing the brand to capture 45% of the total fresh retail chicken market in KSA.

The poultry range, under "Alyoum" brand, has witnessed another turn in brand history moving into the higher margin value added products range with wide range of marinated products and introduced for the first time in KSA market branded fresh "Chicken Burger and Kebab".

Consistently focusing on delivering the highest product quality, best in class distribution and market penetration along with effective consumer communication allowed the "Alyoum" brand to get to top 2 positions in total awareness and significantly increase consumer willingness to buy the brand exceeding established other poultry brands on the 3rd year of "Alyoum" launch.

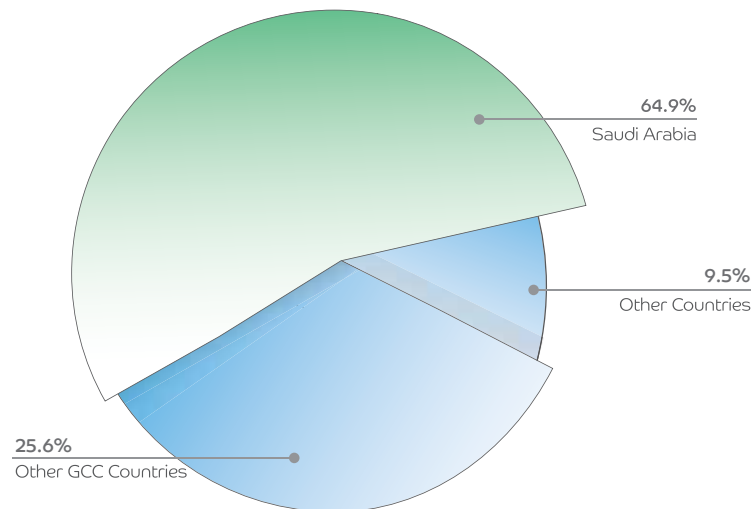
The focus on consistently delivering better product quality, effective communication, attractive packaging and unmatched distribution and sales reach, have combined to see revenues grow +57.1% to SAR 792.3 million.

Arable & Horticulture:

Sales from arable and horticultural operations, which include dates, olive oil, grapes and wheat, grew to SAR 141.4 million.

Sales by Geography:

2013 was the first year that IDJ was consolidated for the full year. Coupled with strong growth in Egypt and Jordan and the expansion of bakery and poultry segments in the other GCC countries, the regional diversification is demonstrated in the charts below:





Operating Costs:

During 2013, overall commodity costs softened slightly, led by juice concentrates, improving the ratio of Direct Material Costs to Sales, with a decrease from 43.3% in 2012 to 42.3%.

Selling & Distribution Expenses increased by 15.7%. The key contributing factors to this increase were: distribution expansion of poultry products throughout KSA and the rest of 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.

General & Administration Expenses increased by 28.6%. The increase is largely due to the one off SAR 47.2 million gain realised from sale of land in Al Kharj to the government during 2012. After normalising for this one off transaction, the increase from 2012 was 6.0%. 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.

Operating Costs (SAR Million)	Year Ended 31 December				
	2013	% of Sales	2012	% of Sales	Change in %
Direct Material Costs	4,744.4	42.3%	4,279.2	43.3%	10.9%
Other Cost of Sales	2,522.9	22.5%	2,092.7	21.2%	20.6%
Selling & Distribution Expenses	1,870.5	16.7%	1,616.7	16.4%	15.7%
General & Administration Expenses	284.8	2.5%	221.4	2.2%	28.6%
Total Operating Costs	9,422.6	84.0%	8,210.1	83.1%	14.8%

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

Operating Costs (SAR Million)	Year Ended 31 December				
	2013	% of Sales	2012	% of Sales	Change in %
Direct Material Costs	4,744.4	42.3%	4,279.2	43.3%	10.9%
Employee Costs	2,111.0	18.8%	1,776.1	18.0%	18.9%
Operating Overheads	1,039.8	9.3%	983.9	10.0%	5.7%
Marketing Expenses	552.9	4.9%	487.2	4.9%	13.5%
Depreciation & Disposal of Assets	974.5	8.7%	683.8	6.9%	42.5%
Total Operating Costs	9,422.6	84.0%	8,210.1	83.1%	14.8%

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 as outlined in the Financial Statements.

Depreciation and disposal of assets increased by SAR 290.7 million due to the ongoing investment in our farming, production and distribution facilities. This increase is inclusive of the one off SAR 47.2 million gain realised from sale of land in Al Kharj to the government during 2012.

Share of Results of Associates and Joint Ventures:

Investments include United Farmers Holding Company (a joint venture company with Saudi Grains and Fodder Holding Company and Saudi Agricultural and Livestock Investment Company), International Pediatric Nutrition Company (a joint venture company with Mead Johnson Nutrition) and Pure Breed Company (an Associate Company).

Associates & Joint Ventures (SAR Million)	Opening Balance	Capital Introduced	Share of Results for The Year	Distributions	Closing Balance
United Farmers Holding Company	-	205.7	(1.7)	-	204.0
Pure Breed Company	36.9	-	(0.7)	(2.4)	33.8
International Pediatric Nutrition Company	11.7	29.3	(27.6)	-	13.4
Almarai Company W.L.L.	0.2	-	-	-	0.2
Total	48.8	235.0	(30.0)	(2.4)	251.4

Zakat and Foreign Income Tax:

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 2013, the Zakat charge is based on the net adjusted income method.

The Company has filed its Consolidated Zakat returns for all the years up to 2012 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 2012 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 in to the Almarai Group return.

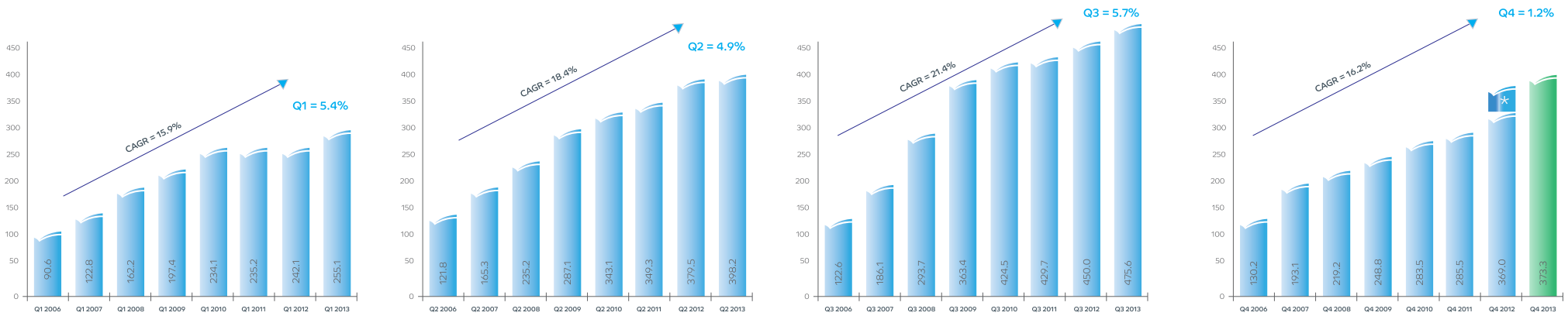
Seasonality in Almarai's results:

Some of our operational activities are affected during the fiscal year by seasonal periods causing remarkable increase in revenues due to different consumption pattern during summer season and Ramadan every year.

As a result, revenues growth continues during the second and third quarters of the year, then drops during the fourth and first quarter every year. Such seasonal fluctuations in revenues result in changes in interim profits during the same fiscal year. So, interim quarterly results are not an accurate indication of the results of the entire year, specifically when comparing fluctuations in results with the previous interim period.

The following diagram illustrates the extent of seasonal impact on Almarai interim results.

Net Income - Quarterly Performance



* One off capital gains of SAR 47.2m realised in December 2012.

Segment Results:

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" brands, 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 2013 and 2012, categorised by segments, are as follows:

Segmental Reporting (SAR Million)	Dairy & Juice	Bakery	Poultry	Arable and Horti	Other Activities	Almarai Group
2013						
Sales	8,868.2	1,445.1	792.3	430.6	4.5	11,540.7
Third Party Sales	8,835.8	1,445.1	792.3	141.4	4.5	11,219.2
Depreciation	(930.1)	(136.7)	(174.6)	(71.2)	(18.1)	(1,330.6)
Share of Results of Associates and Joint Ventures	-	-	(0.6)	(1.7)	(27.6)	(30.0)
Income / (loss) before Non Controlling Interest	1,705.4	139.4	(338.6)	68.1	(73.9)	1,500.4
Share of Net Assets in Associates and Joint Ventures	0.2	-	33.9	204.0	13.3	251.4
Additions to Non-Current Assets	2,089.6	172.1	1,074.9	240.0	33.0	3,609.6
Non-Current Assets	9,029.3	1,797.2	4,503.3	1,591.2	1,010.8	17,931.7
Total Assets	13,398.9	2,035.1	4,993.9	1,825.9	1,026.2	23,280.0
Return on Net Operating Assets	18.9%	10.7%	-8.9%	4.6%	n/a	8.0%
Return on Net Assets	17.8%	7.5%	-8.2%	4.2%	n/a	8.3%
2012						
Sales	7,988.3	1,290.6	504.4	386.0	0.1	10,169.4
Third Party Sales	7,972.6	1,290.6	504.4	115.3	0.1	9,883.0
Depreciation	(832.8)	(114.2)	(50.3)	(68.4)	(0.0)	(1,065.7)
Share of Results of Associates and Joint Ventures	(6.4)	-	4.3	-	(22.1)	(24.6)
Income / (loss) before Non Controlling Interest	1,436.5	107.1	(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	2,5947.3	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
Return on Net Operating Assets	18.3%	11.1%	-4.4%	2.0%	n/a	9.8%
Return on Net Assets	17.1%	6.0%	-3.7%	1.9%	n/a	9.4%

Key Achievements for 2013

Cash Flow Statement

Cash flows from operating activities reached SAR 2,585.6 million, compared to SAR 2,736.0 million in 2012 and equating to 23.0% of total sales. Operating cash flow and increased borrowings funded Almarai's SAR 3,302.3 million investment program for the year.

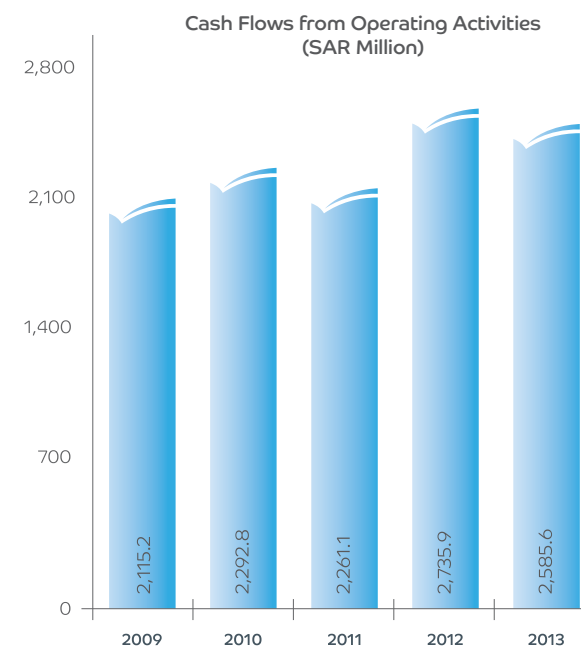
Continued heavy investment will enable Almarai to satisfy growth in consumer demand and maintain/grow market share in all GCC countries, while also enabling diversification into new business areas, by product category and geographically.

Investment in inventories and receivables has continued in 2013, broadly in line with sales. Payables, however, have reduced from the exceptionally high level reached in 2012, resulting in additional investment into net operating working capital of SAR 603.2 million. As a percentage of sales, operating net working capital increased from 9.4% to 13.7%.

Cash Flow Statement (SAR Million)	Year Ended 31 December	
	2013	2012
Operating Activities before Changes in Net Operating Working Capital	3,188.8	2,712.8
Changes in Net Operating Working Capital	(603.2)	23.2
From Operating Activities	2,585.6	2,736.0
Used in Investing Activities	(3,302.3)	(3,284.5)
From Financing Activities	2,115.1	693.8
Foreign Currency Translation Differences	(5.3)	-
Increase in Cash	1,393.2	145.3
Cash at beginning of period	417.3	272.0
Cash at end of period	1,810.5	417.3

Cash Flows from Operating Activities:

Cash Flows from Operating Activities (SAR Million)	Year Ended 31 December	
	2013	2012
Net Income	1,502.2	1,440.6
Depreciation & Disposal of Assets	1,367.7	1,035.3
Bank Charges Accrued	224.3	157.5
Share of Results of Associates and Joint Ventures	30.0	24.6
Change in Employee Benefits	61.5	49.8
Change in Zakat and Foreign Income Taxes	5.0	5.7
Non Controlling Interest	(1.8)	(0.7)
Changes in Net Operating Working Capital	(603.2)	23.2
Cash Flows from Operating Activities	2,585.6	2,736.0



Cash Flows Used in Investing Activities:

During 2013, several crucial investments totalling SAR 2,878.5 million were made in growing operations:

Poultry:

SAR 1,057.9 million was invested to bring Poultry processing capacity to 200 million birds per annum in anticipation of growth for years to come. This investment upgraded the current state-of-the-art processing plant to be one of the largest in the world. As projected, in the processing plant, lines 1 and 2 were completely commissioned during the year with line 3 projected to be fully commissioned in Q1 2014 completing the 200 million birds per year capacity (was announced that on Tadawul website on 4th February 2014).

Dairy Farming, Manufacturing and Distribution:

In order to cater for growing demand in our core product, investments in expansion of dairy farms such as Al-Rabiah were made during the year.

We also invested in manufacturing, logistics and sales distribution to serve increased consumer demand and to enhance Almarai's distribution capabilities to increase our core presence in the market and expand into growing areas.

Cash Flows Used in Investing Activities (SAR Million)	Year Ended 31 December	
	2013	2012
Capital Expenditure (including biological assets)	(2,878.5)	(3,182.2)
Biological Asset Appreciation	(393.1)	(351.5)
Proceeds from disposals	202.0	245.7
Acquisition of Investments and Financial Assets	(234.9)	(23.5)
Acquisition of Subsidiaries, Net of Cash Acquired	-	24.9
Dividend received from an Associate	2.4	2.1
Cash Flows Used in Investing Activities	(3,302.3)	(3,284.5)

The following Table illustrates the distribution of investment by segments spending during 2013:

Capital Expenditure (SAR Million)	2013						2012
	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities	Total	Total
Replacement	(264.4)	(0.1)	(2.2)	(21.9)	(18.5)	(307.2)	(257.0)
New Capex	(1,293.2)	(121.4)	(1,055.8)	(19.6)	(81.4)	(2,571.3)	(2,925.3)
Total	(1,557.7)	(121.5)	(1,057.9)	(41.5)	(99.9)	(2,878.5)	(3,182.3)
Capital Commitments	(1,202.5)	(19.3)	(501.9)	(6.9)	(17.2)	(1,747.8)	(2,798.9)

Cash Flows from Financing Activities:

The strong cash flow generating capability of Almarai has enabled the Group to obtain additional credit facilities to finance the investments mentioned above including follow up issuance of Sukuk raising aggregate of SAR 1,300.0 million in two tranches – SAR 787.0 million with a seven year maturity and SAR 513.0 million with a five year maturity. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears.

Going further into diversification of Group debt profile, Almarai issued its first Perpetual Sukuk raising SAR 1,700.0 million. This Sukuk issuance bears a return based on SIBOR plus a pre-determined margin.

Cash Flows from Financing Activities (SAR Million)	Year Ended 31 December	
	2013	2012
Increase in Loans	1,328.8	1,480.9
<u>Borrowings from government financial Institutions</u>		
Repayments	(187.7)	(150.5)
Receipts	751.9	183.7
<u>Borrowings from Islamic banking facilities (Murabaha)</u>		
Repayments	(2,688.4)	(1,000.5)
Receipts	2,137.0	1,420.9
<u>Borrowings from Sukuk Issue</u>		
Receipts	1,300.0	1,000.0
<u>Commercial Facilities for Foreign Subsidiaries</u>		
Repayments	4.5	-
Currency Translation Differences	11.5	27.3
<u>Perpetual Sukuk Issue</u>		
Receipts	1,690.1	-
Dividends Paid	(498.5)	(511.8)
Bank Charges Paid	(261.8)	(277.6)
Purchase of Treasury Shares	(51.1)	-
Deferred Charges	(57.8)	3.1
Transactions with Non Controlling Interests	(34.4)	(0.8)
Cash Flows from Financing Activities	2,115.3	693.8

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.

As at 31 December 2013, SAR 3,143.0 million and SAR 607.7 million of Islamic banking facilities and SIDF facilities respectively were unutilized and available for draw down. Finance Charge (expenses) increased from SAR 157.4 million to SAR 224.3 million primarily due to higher loan utilization while SAR 45.1 million of borrowing cost was capitalized to Property, Plant and Equipment during 2013 (SAR 75.1 million in 2012).

Key Achievements for 2013

Balance Sheet

The following analyses show the most significant changes which have occurred in Almarai consolidated balance sheet between 2012 and 2013:

- ▶ As a result of the investment expansion policies drawn from the strategic five-year plan, total consolidated assets amounted to SAR 23.3 billion at a rate of growth +19.3% compared with 2012.
- ▶ Net Operating Working Capital has increased +64.6% since 2012 and +38.1% on a compounding growth rate since 2011. This growth is faster than revenue growth as Almarai continues its strategy of vertical integration of its supply chain and diversification into the poultry segment. The exceptional increase from 2012 is largely driven by exceptionally high payables as at 31 December 2012.
- ▶ Total finance (short and long term loans) increased by 15.2% compared with 2012 to reach SAR 9,971.9 million reflecting the commitment of financial institutions and fixed income investors in financing Almarai, and their confidence that Almarai will choose the optimal investments opportunities to achieve a sustainable profitable growth.
- ▶ Shareholders Equity has grown by 11.8% to reach SAR 8,442.5 million, as a consequence the book value of shareholder equity per share reached SAR 14.07 based on 600 million issued shares to increase shareholders equity from the beginning of the year by 19.9%.
- ▶ Total Equity has grown by+ 31.7% to reach SAR 10.8 billion representing 46.2% of the total assets.
- ▶ The issuance of the perpetual Sukuk in September 2013 has had two major impacts on the balance sheet. Firstly, cash reserves are at historically high levels and when coupled with the investment in working capital, have increased the current ratio to 143.8%. Secondly, as the perpetual Sukuk is equity in nature, it reduces the leveraging of the balance sheet, improving Net Debt to Equity to 75.8% from 100.8%.

Balance Sheet Summary				
SAR Million	2013	2012	Change	
			Value	Percentage
Cash and Cash Equivalents	1,810.5	417.3	1,393.2	333.9%
Current Assets	5,348.2	3,561.0	1,787.2	50.2 %
Non Current Assets	17,931.7	15,957.6	1,974.1	12.4%
Total Assets	23,280.0	19,518.6	3,761.3	19.3%
Net Working Capital	1,534.8	932.2	602.6	64.6%
Current Liabilities	3,720.5	3,679.4	41.1	1.1%
Non Current Liabilities	8,795.3	7,668.3	1,127.0	14.7%
Short Term Loans	1,683.0	1,399.8	283.2	20.2%
Long Term Loans	8,288.9	7,254.7	1,034.2	14.3%
Total Loans	9,971.9	8,654.6	1,317.3	15.2%
Shareholders' Equity	8,442.5	7,549.4	893.0	11.8%
Book Value Per Share	14.07	12.58	1.49	11.8%
Total Equity	10,764.2	8,171.0	2,593.2	31.7%
Net Debt	8,161.4	8,237.3		
Net Debt to Equity	75.8%	100.8%		

Existing Financing:

Almarai has a good credit standing with various Government and non-Government financial and lending institutions as well as fixed income investors. There is no doubt that the recognition enjoyed by Almarai is based on the predictability of Almarai's positive operating cash flows and its clear strategy for sustainable growth.

Existing financing volume amounted to SAR 9,971.9 million at the end of the year 2013 in a form of Murabaha banking facilities in compliance with the Islamic Sharia, Government funding, and Sukuk from fixed income investors. All contractual terms and guarantees used for these financing agreements are executed with normal commercial conditions and including the mortgage of some assets and production lines amounting to SAR 1,539.7 million to the benefit of government financial institutions.

Financing facilities granted by banks and other financial institutions are guaranteed by secured promissory notes issued by the Group. Sukuk were issued according to three issuances without deduction or issuance commission at nominal value SAR 1.0 million and a rate of return as per prevailing rates between Saudi banks (SIBOR) plus a pre-determined margin paid semi-annually. According to Sukuk arrangements the Company can combine its assets with the Sukuk assets composed of owners' shares in the trading transactions and owners' shares in Murabaha transactions, and any amounts due to the Sukuk account and the reserve maintained by the Company of the Sukuk account.

Note that the financing illustrated in the following table includes facilities granted to Almarai Subsidiaries outside the Kingdom of Saudi Arabia of approximately SAR 280.3 million granted by banks abroad in the countries in which Almarai Subsidiaries are operating.

The following table illustrates the Financing agreements in place at the end of December 2013:

The Financing End of the year 2013 (SAR Million)								
Source Of Financing	The amount of core funding	Financing Period	Payment Method	Beginning Of The Year	Additions During The Year	Paid During The Year	End of Of The Year	Maturity Date
Banks and financial institutions	9,274.3	Multiple dates	quarterly and semi-annual and annual	6,678.2	2,141.5	(2,688.4)	6,131.3	Multiple dates
Saudi Industrial Development Fund	2,147.6	Multiple dates	semi-annual	974.2	751.9	(186.4)	1,539.7	Multiple dates
Agricultural Development Fund	0.8	Multiple dates	annual	2.1	-	(1.3)	0.8	Multiple dates
Sukuk - First tranche	1,000.0	Seven years	Lump sum	1,000.0	-	-	1,000.0	Mar-19
Sukuk - Second tranche - 1	787.0	Seven years	Lump sum	-	787.0	-	787.0	Mar-20
Sukuk - Second tranche - 2	513.0	Seven years	Lump sum	-	513.0	-	513.0	Mar-18
	13,722.6			8,654.6	4,193.4	(2,876.1)	9,971.9	

Classification Of Funding End Of 2013 (SAR Million)		
Classification	2013	2012
Short Term Loans	1,683.0	1,399.8
Long Term Loans	8,288.9	7,254.7
Total	9,971.9	8,654.6

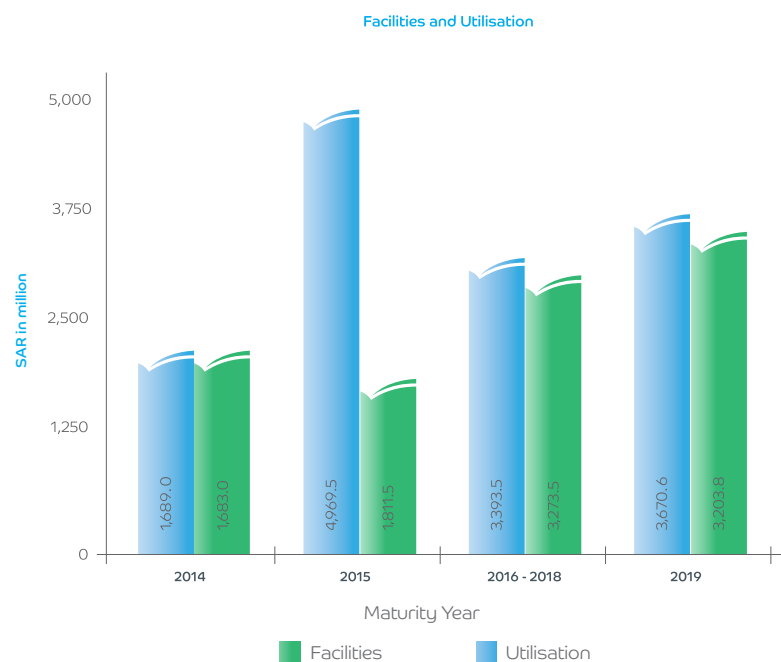
Maturity Of Funding End Of 2013 (SAR Million)		
Maturity	2013	2012
Less than one year	1,683.0	1,399.8
One to two years	1,811.5	2,683.8
Two to five years	3,273.5	3,383.7
Greater than five years	3,203.8	1,187.2
Total	9,971.9	8,654.6

Potential Financing:

Due to the growing needs to finance Almarai future projects, Almarai's Treasury is managing any excess cash and is constantly providing the necessary financing solutions for all operational needs as well as investment in the most efficient way to make sure there are always ample finance facilities available. The volume of Murabaha banking facilities and the available government non-used financing amounted to SAR 3,750.8 million at year end. The following graph illustrates the amount of utilised and available facilities as at 31 December 2013:

(SAR Million)	Facilities at 31 December 2013	Existing Financing	Not used
Less than one year	1,689.0	1,683.0	6.0
One to two years	4,969.5	1,811.5	3,158.0
Two to five years	3,393.5	3,273.5	120.0
Greater than five years	3,670.6	3,203.8	466.8
Total	13,722.6	9,971.9	3,750.8

Recognizing the need for further financing to fund our future plans, the Group secured an additional SAR 1,752.0 million of Islamic banking facilities (Murabaha) with a maturity of greater than five years and an additional SAR 607.7 million of SIDF facilities with a maturity of more than five years.



Intangible Assets:

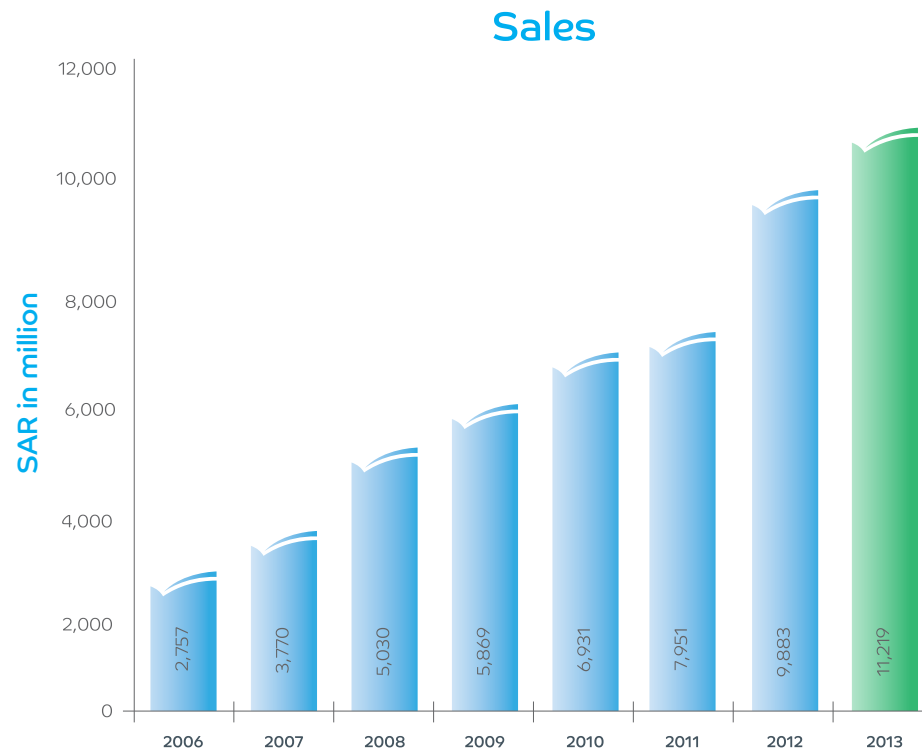
The intangible assets shown at the end of the balance sheet represent the goodwill resulting from the difference between the cost of acquired businesses and the share of the Group in the net fair value of probable assets, liabilities, and commitments of the acquired company at the date of acquisition. Goodwill arising from acquisitions is reviewed for impairment annually or more frequently if events or circumstances indicate that the carrying value may be impaired. No impairment has been recognised in 2013.

Key Achievements for 2013

Historical Data

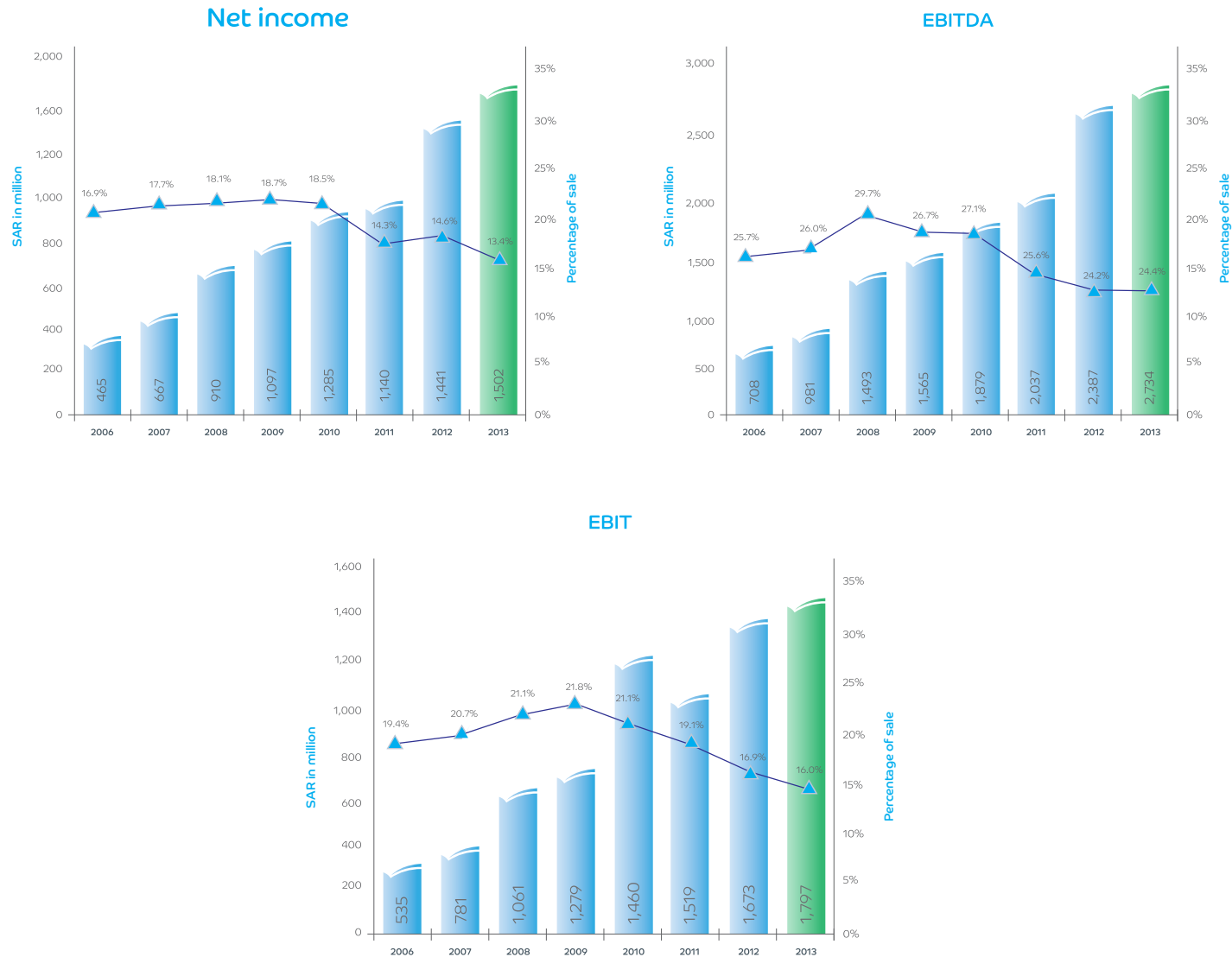
Record Sales:

Almarai's expansion strategy is materialized through its on-going investment in capital projects in Operational and Strategic Projects and Segments since it was listed in the Saudi Stock Market as a Joint Stock Company, in line with distinguished innovated new products, focus on consistently delivering better product quality to meet its consumers satisfaction, and therefore, maintaining its existing products market share and increasing its new products market share. Almarai's commitment to these combined parameters has direct reflection on the achievement of sustainable consolidated sales growth which amounted to SAR 11.2 billion as the highest annual sales achieved through Almarai's history, at an annual rate of growth amounting to 17.5% for the last five years.



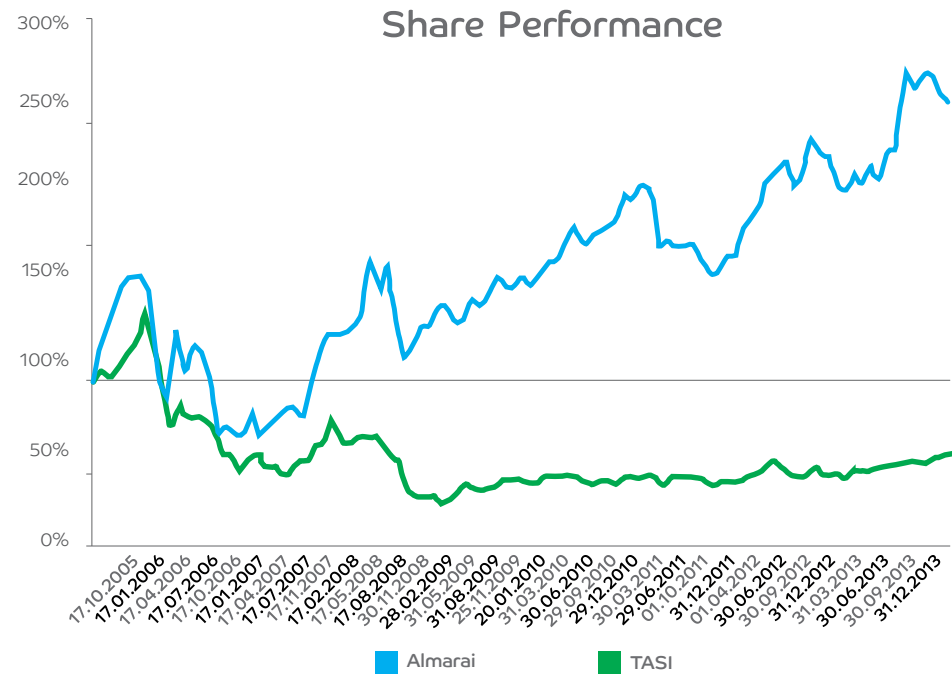
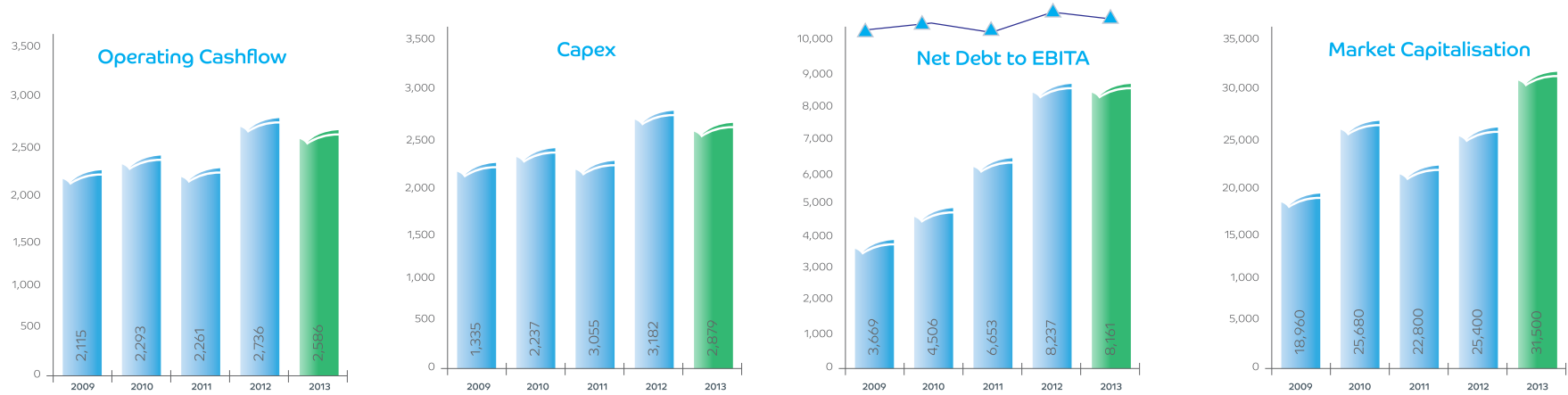
Record Net Profits:

As illustrated, the expansion strategy reflected on Almarai's sustainable sales growth led to sustainable growth on net profits as well (after the impairment of the investment in Zain in 2011), where Almarai's net profits amounted to SAR 1,502.2 million as the highest annual profits ever achieved during Almarai's history at an annual rate of growth 11.4% for the last five years.



Key Financial Highlights of the Last Five Years:

The following table and graphs historical financial performance and position trends:



Key Financial Highlights of the Last Five Years:

Key Financial Highlights (SAR Million)	Year Ended 31 December				
	2013	2012	2011	2010	2009
Operational Performance					
Total Sales	11,219	9,883	7,951	6,931	5,869
Cost of Sales	(7,267)	(6,372)	(4,954)	(4,195)	(3,503)
Gross Profit	3,952	3,511	2,997	2,736	2,366
Selling and Distribution expenses	(1,870)	(1,617)	(1,213)	(1,046)	(887)
General and Administration expenses	(285)	(221)	(266)	(230)	(200)
Share of Results of Associates and Joint Ventures	(30)	(25)	(42)	(6)	(2)
Impairment Loss	-	-	(160)	-	-
Financing Charges	(224)	(157)	(135)	(121)	(148)
Income from Main Operations	1,542	1,491	1,180	1,333	1,129
Zakat and Foreign Income Tax	(42)	(51)	(33)	(26)	(29)
Minority Interest	2	1	(7)	(22)	(3)
Net Income	1,502	1,441	1,140	1,285	1,097
Balance Sheet					
Net Operating Working Capital	1,535	932	805	660	711
Property, Plant and Equipment	15,028	13,416	10,508	7,867	6,282
Biological Assets	992	901	818	770	735
Net Operating Assets	17,555	15,249	12,131	9,296	7,728
Intangible Assets - Goodwill	1,310	1,335	821	793	793
Investments	479	244	853	958	963
Net Assets	19,344	16,829	13,805	11,047	9,485
Net Debt	8,161	8,237	6,653	4,606	3,869
Deferred Charges and Derivatives	(40)	17	43	49	50
Employee Benefits	340	287	243	206	166
Deferred Tax (Net)	118	116	88	-	-
Total Equity	10,764	8,171	6,778	6,185	5,400
Net Capital Employed	19,344	16,829	13,805	11,047	9,485
Total Assets	23,280	19,519	15,656	12,571	10,987
Total Liabilities	12,516	11,348	8,879	6,386	5,587

Key Financial Highlights (SAR Million)	Year Ended 31 December				
	2013	2012	2011	2010	2009
Cash Flow					
Cash Flow from operating Activities	2,586	2,736	2,261	2,293	2,115
Cash Flow used in Investing Activities	3,302	3,284	3,575	2,516	2,024
Dividend Paid	499	512	516	455	380
Key Indicators					
Return on sales	13.4%	14.6%	14.3%	18.5%	18.7%
Return on Shareholders Equity*	18.8%	20.2%	17.7%	22.3%	25.6%
Return on Total Equity*	15.8%	19.3%	17.7%	22.6%	26.9%
Return on Net Operating Assets*	11.0%	12.2%	14.2%	17.1%	18.7%
Net debt to equity ratio	75.8%	100.8%	98.2%	74.5%	71.7%
Current ratio	143.8%	96.8%	91.8%	115.0%	151.5%
Revenue growth rate	13.5%	24.3%	14.7%	18.1%	16.7%
Dividends payout ratio	39.9%	34.7%	45.4%	40.3%	41.9%
Shares Issued (in millions)	600	400	230	230	115
Earnings per Share (SAR)**	2.50	2.41	1.90	2.14	1.91
Dividend Proposed	600	500	518	518	460

* 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 600 million shares.

Future Prospects

The Strategic Plan

Almarai has previously announced on May 29th 2012 the approval from its Board of Directors of its 5 year strategic plan for the period 2013 – 2017 aiming to achieve growth and developments in all Company Sectors to enhance its position at the forefront of the food processing companies, and provide the consumer with quality and nutritious products.

The Board has approved the related capital investment plan, exceeding in volume all previous capital investments plans, amounting to SAR 15.7 billion during that period. The plan includes the replacement of existing capital assets as Almarai will continue to enhance the production capacities in farming, processing, distribution, and transportation. The investment is also directed to serve existing and new products quality improvements, increase the efficiency of existing resources, and train local manpower.

The Plan will be financed through Almarai self-resources together coupled with funding opportunities offered by Commercial Banks, the Saudi Industrial Development Fund, the Saudi Agricultural Fund, and the Sukuk Program issued during the previous period.

The approval of this strategic plan stems from Almarai and its Board of Directors belief in national investment joined with the investment in food processing sectors to achieve food security. During 2013 Almarai has invested approximately SAR 2.9 billion in its operational segments representing 18.3% of the strategic capital investment objective, striving to support its continuous tireless ongoing success to develop and establish a solid foundation for the enforcement of its strategy to achieve sustainable growth at the objective rates.

Continuation of Growth in 2014:

According to the 5 year Capital Investment, Almarai expects a continuity in the consolidated financial position growth for 2014, as a result of investing more capital for approximately SAR 3.2 billion representing 20.4% of the strategic capital investment objective, to continue its tradition of excellence by investing in its core business of dairy products by further expanding dairy farming and additional investments will be made in order to further enhance capacity in dairy and juice manufacturing and bakery segments in order to meet growing consumer demand. Further, under the normal prevailing operational conditions and the relative stability in inputs and raw materials prices, provided that no risks and non-controlled financial impacts shall occur, we expect continuity of growth of the consolidated sales and consolidated net profits at an appropriate rate with our aspirations of balanced growth.

Also there are several substantial events of interest to the Shareholders which shall be announced during the course of the year as illustrated in the following table:

Important Events during the year 2014			
Series	Date	Type of the Announcement	Announcement Subject
Important Events during the year 2014			
			1- The General Assembly will be held 2 April 2014
			2- In the first half of 2014, will be the opening ceremony of the poultry project after the completion of the operation of all production lines, as previously announced.
Announcement the financial Results			
	1- 6 to 10 April 2014	Financial Results	Announces the interim consolidated financial results for the period ended 31 March 2014
	2- 6 to 10 July 2014	Financial Results	Announces the interim consolidated financial results for the period ended 30 June 2014
	3- 5 to 9 October 2014	Financial Results	Announces the interim consolidated financial results for the period ended 30 September 2014

Risks and Business Continuation

Risks

Almarai recognizes that risk is part of doing business and that managing risk appropriately is critical to the immediate and future success of Almarai. The Almarai Risk Management Framework provides the approach, infrastructure and processes for risk management. Our Risk Management Framework is dynamic and constantly evolving, thereby allowing Almarai to manage its risks effectively and efficiently, enabling both short and long term strategic and business objectives to be met. As a publicly listed company and producer of the highest quality food and beverage products available in the region Almarai operates in a highly regulated environment which is increasingly complex and demanding. Consequently, Almarai is required to comply with a myriad of regulatory requirements and legal obligations. The key regulators of Almarai's activities are the Capital Markets Authority (CMA), and other Governmental bodies. Almarai is also subject to a number of other GCC and regional legislative requirements.

Risk is the possibility of an event occurring that will have an impact on the strategic or business objectives of Almarai. At Almarai, both inherent and residual risk is considered and measured in terms of a combination of the consequences of an event, and the likelihood of it occurring. All categories of risk may give rise to reputational damage. In addition to reputational risk, the following represent the key categories of risk that face Almarai:

Risk Category in general Description

- Strategic** - Adverse strategic decisions, improper implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect our market position.
- Financial** - Funds are inappropriately used, financial performance is not managed to expectations or financial results are inappropriately accounted for or disclosed. Risk of inadequate cash flow to meet financial obligations.
- Operational** - Inadequate or failed internal processes, people and systems, or from external events.
- Investment** - Failure to provide expected returns for defined objectives and risk i.e. under-performing the stated objectives.
- People** - Exposure to changes in personnel, including an inability to attract and retain quality and appropriate people. Inadequate succession planning strategy.
- Governmental/Environmental** - The impact on external factors that have an impact e.g. water restrictions or other environmental factors.
- Legal** - Legal and commercial rights and obligations are not clearly defined or understood. Commercial interests not adequately protected by legal agreements.
- Compliance** - Violation of, non-conformance with, or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

On the other hand can be determined following risks specifically.

Business Risks	Market Risks	Economic and Regulatory Risks
Product Risk	Water Supply and Fodder	Economic and Political Risk
Unexpected Business Interruption	Outbreak of Disease – Dairy	Regulatory Risk
Protection of Intellectual Property	Outbreak of Disease – Poultry	Labor Force Regulation
Almarai Brand	Foreign Currency and Commission Risk	Pricing Regulatory Framework
Expansion Strategy	Commodity Prices	Subsidy
Dependence on Suppliers and Supplying Countries	Market Share	
Dependence on Key Personnel	Competitive Environment	
Agency and Distributorship Arrangements	Potential Competitor Pricing Pressure	

Almarai's approach to risk management commences with establishing the context in which Almarai and the relevant business division operates, including consideration of relevant strategic and business objectives. At Almarai, all risks and types of risks are managed through the same process. The primary responsibility for risk management at Almarai rests with the business division and, in particular, with management. Management is responsible for identifying, analyzing, managing and controlling, monitoring and reporting risks within the business and therefore are a key part of Almarai's Risk Management Framework. A number of processes exist to ensure Almarai makes well informed and controlled decisions on the level of risk to assume and that the returns expected for a given risk, outweigh the cost of assuming that risk.

Business Continuation:

The nature of our business demands that we are able to provide rapid recovery of key services in the event of business interruptions. Business Continuity Management (BCM) is used to counter interruptions to business activities and to protect critical business processes from the effects of major failures or disasters. Almarai has a documented BCM framework in place as well as robust processes, controls and infrastructure, which includes access to a back up recovery site. Testing of Almarai's ability to resume critical operations after a major disruption occurs annually within the Business Systems and Development (BSD) department.

Preparation of the Financial Statements

The Interim Consolidated Financial Statements, issued with a Review report by External Auditors and the Annual Consolidated Financial Statements are issued with an Audit report by External Auditors Prepared in accordance with the Accounting Standards issued by the Saudi Organization of Certified Public Accountants (SOCPA). Any accounting treatment not covered by the Saudi Accounting Standards shall be referred to the accounting treatment applied by the International Financial Reporting Standards (IFRS) in accordance with the requirements of the SOCPA.

By auditing the 2012 consolidated financial statements Ernst & Young completed a term of five years as External Auditors of Almarai. Accordingly, to ensure than independence is maintained, a different external auditor must be appointed for the year ended 31 December 2013. The Board of Directors nominated KPMG Al Fozan & Al Sadhan which was approved by shareholders at the Extraordinary General Assembly meeting held 2 April 2013. At the General Assembly Meeting scheduled for 2 April 2014, the Board of Directors will recommend that KPMG Al Fozan & Al Sadhan are retained and appointed for the year ending 31 December 2014.

After auditing the Consolidated Financial Statements for the year ended 2013 and are in accordance with SOCPA requirements KPMG, issued an unqualified audit opinion, certifying in all material respects that the consolidated financial statements are free of any material misstatement, error or omission

Finally, the Board of Directors of the Saudi Certified Accountants Association, in their seventh meeting of the seventh term held on Thursday 10/09/1434H (corresponding to 18/07/2013G), have approved the implementation of IFRS after being certified by SOCPA, such that the nearest date of IFRS implementation is 1/1/2017 for entities listed under Saudi Stock Exchange.

Almarai is now studying the impact of implementing the change to the IFRS for its financial reports issued after 1 January 2017, such that it would have sufficient time to understand and manage the differences and the process of adopting the IFRS to achieve a controlled and smooth transition.

Profits Distribution Policy

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

- ▶ 10% of the annual net profits shall be allocated to form a statutory reserve. Such allocation may be discontinued by the Ordinary General Assembly when this reserve totals 50% of the Company capital.
- ▶ Specified percentage of preferred shares shall be distributed to the shareholders owning such shares.
- ▶ The Ordinary General Assembly may, upon a recommendation of the Board of Directors, allocate an equal percentage of the net profits to formulate other reserves.
- ▶ Out of the balance of the net profits, if any, an initial payment of not less than 5% of the paid up capital shall be distributed to the shareholders.
- ▶ Not more than 5% of the remaining balance, if any, shall be allocated as remuneration to the Board of Directors Members.
- ▶ The remaining balance shall be distributed to the shareholders as an additional share of the profits. The Company, after complying with the regulations laid down by the competent authorities, may distribute semi-annual and quarterly dividends

As per Article (45) of Almarai By-Laws profits distributed to the shareholders shall be paid at the locations and time as determined by the Board of Directors in compliance with the Ministry of Commerce & Industry instructions.

Almarai has achieved a 40.4% pay-out ratio for the last five years. Despite the fact that Almarai expects, as per its current distribution practice, to distribute

annual cash dividends, there are no guarantees for the distribution of dividends on an ongoing basis. Besides, there are no guarantees to the value and percentage of dividends each year. Although, in general, cash dividends are approved or recommended according to many aspects including profits achieved, cash flows, new capital investments, and future prospects of outgoing funds, taking into account the importance of maintaining a strong financial policy to meet any events of emergency. Generally, Almarai Board of Directors is striving from one year to the other to maintain consistency of cash flow by reducing the impact of any change in free cash flow which may be attributed to the achievement of profits or losses in specific financial years, while maintaining medium term target distribution rate of dividend ratio. Noting that Almarai has distributed to its Shareholders around SAR 8,550.0 million since it was listed in the Saudi Stock Market in a form of cash dividends and bonus shares. The cash dividends amounted to SAR 3,450.0 approximately representing 40% , whereas the bonus shares for capital increase from SAR 750.0 million upon listing to SAR 6,000 million currently representing 60% of the total dividends and bonus shares (after excluding the capital increase through the acquisition of both Western Bakeries and the International Bakeries Services companies at a nominal value of SAR 90.0 million and the 100% acquisition of Hail Agricultural Development Company "HADCO" at a nominal value of SAR 60.0 million).

Dividends Paid compared to Net Income (SAR Million)

Year	Net Income	Dividends	Percentage
2005	368.0	-	-
2006	464.7	200.0	43.0%
2007	667.1	273.0	40.9%
2008	910.3	382.0	42.0%
2009	1,096.7	460.0	41.9%
2010	1,285.4	517.5	40.3%
2011	1,139.5	517.5	45.4%
2012	1,440.6	500.0	34.7%
2013	1,502.2	600.0	39.9%
Total		3,450.0	

Distribution in the form of granting bonus shares (SAR Million)					
Year	Share Capital	Bonus	Share Capital After The Bonus	Percentage	Notes
2005	750.0	250.0	1,000.0	33.3%	bonus share for every 3 out-standing shares
2010	1,150.0	1,150.0	2,300.0	100%	bonus share for every 1 out-standing shares
2012	2,300.0	1,700.0	4,000.0	73.9%	bonus share for every 1.352941 outstanding shares
2013	4,000.0	2,000.0	6,000.0	50%	bonus share for every 2 out-standing shares
Total		5,100.0			

At the Extraordinary General Assembly of 2nd April 2013, Almarai Shareholders approved a dividend distribution of SAR 500.0 million at SAR 1.25 per share (based on 400.0 million issued shares on that day). There were neither arrangements nor agreement under which any of the Shareholders waived his right to profits.

With regards to cash dividends for the year 2013 the Board of Directors proposes to the General Assembly a dividend of SAR 600.0 million representing 39.9% of the Consolidated Net Profits achieved during the year at SAR 1.00 per share i.e. at 20% increase compared with cash dividends of 2012 considering the capital increase which has taken place during 2013.

Statutory Payments, Penalties and Sanctions

Statutory Payments

Almarai is committed to pay certain fees expenses to Saudi Arabian Governmental Units as per various applied Term & Regulations. These expenses are inherently charged to results of operations. The following table illustrates the Statutory Payments paid or due during the year 2013 with a brief description and related reason.

Statutory Payments made in Saudi Arabia during 2013 (SAR Million) in KSA*				
Organization statutory	2013	2012	Description	The reason
Saudi Customs	96.5	105.0	Amounts paid or charged on the year according to import and export. As customs fees expense.	Government requirement
Department of Zakat and Income Tax	37.0	44.6	Amounts paid or charged on the year according to the provisions and rules of Zakat. As Zakat expense	Government requirement
General Organization for Social Insurance	45.7	41.0	Amounts paid or charged on the year according to Labor Law. As social Insurance expense.	Government requirement
Other statutory Organization	62.3	42.4	Amounts paid or charged on the year according to Several laws. As expenses.	Other Government requirements
	241.5	233.0		

* Outside the Kingdom is not major

Penalties and Sanctions:

Almarai was not exposed to any penalty, sanctions, or precautions imposed under the Capital Market Authority, any other supervisory, regulatory, or judicial unit.

Investors and Ownership Notification

Investors

By the end of the year 2013 the total number of Almarai Shareholders comprised of 59,011 from 34 different nationalities. According to the type of investors, institutional investments represent 51.5%, while individual investments represent 48.5% of Almarai's shareholders. There are 31 Shareholders of Almarai owning one million shares or more whose ownership represents 86.8% of Almarai issued shares.

Almarai Investors according to Nationality		
Nationality	Number of Investors	Percentage
Saudi Arabia	58,577	99.3%
Other nationalities	434	0.7%
Total	59,011	100.0%

Almarai Investors according to Investor Type			
Investor Type	Number of Investors	Number of Investors	Percentage of ownership
Corporate	190	308,905,588	51.5%
Individual	58821	291,094,412	48.5%
Total	59,011	600,000,000	100.0%

Almarai Investors according to the size of the ownership		
Size of shares	Number of Investors	Percentage of ownership
Million shares and more	31	86.8%
From 500 thousand to less than a million	11	1.2%
From 100 thousand to less than 500 thousand	105	3.5%
From 50 thousand to less than 100 thousand	95	1.1%
From 10 thousand to less than 50 thousand	724	2.4%
From 5 thousand to less than 10 thousand	816	0.9%
From 1 thousand to less than 5 thousand	5,582	1.8%
Less than one thousand shares	51,647	2.4%
Total	59,011	100.0%

Ownership Notification:

According to Article (45) of the Registration and Listing Provisions issued by the Capital Market Authority, during the year 2013 Almarai did not receive any notification of new ownership percentage of or more than 5% of the shares issued to the Company, nor any reduction in the percentages occurring at the beginning of the year, taking into account that changes in the number of shares owned by Shareholders owning 5% or more have occurred as a result of Almarai capital increase which took place as per an approval by the Extraordinary General Assembly held on the 9th of September 2013.

Ownership of 5% and more of the issued shares				
Investor	Beginning of the Year		End of the year	
	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership
SAVOLA Group Company	146,087,295	36.5%	219,130,942	36.5%
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	114,782,615	28.7%	172,173,922	28.7%
Omran Mohamed Al-Omran and Partners Company	22,817,392	5.7%	34,226,088	5.7%
Total	283,687,302	70.9%	425,530,952	70.9%

Almarai and Subsidiaries Corporate Governance Code

The purpose of this code is to set out Almarai's approach to corporate governance. Almarai is committed to maintaining high standards of corporate governance, and sees good corporate governance as an essential tool in maximizing long term shareholder wealth and as being entirely consistent with its commitment to quality in all of its processes and products. The rules set out in this Corporate Governance are mandatory for all Directors and staff of Almarai, and can only be amended by a resolution of the Board of Directors.

Corporate Governance defined "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of authority and responsibilities among different participants in the corporation, such as, the Board, managers, shareholders and other, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance". [Organization for Economic Cooperation and Development]. "Boards of directors are responsible for the governance of their companies".

The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the Board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general assembly meeting". [Report of the committee on the Financial Aspects of Corporate Governance, by-laws (Cadbury

Committee)]

The Almarai Corporate Governance Code has therefore been prepared in the light of international principles of sound corporate governance, and should be viewed as setting the framework for corporate governance within Almarai. It should not be seen as a substitute for sound judgment and honourable arms-length dealings by directors and officers of the company and should be viewed within the context of the broader legislative framework pertaining in Saudi Arabia. In particular, the stipulations of the following, the requirements of which have not all been incorporated in this code, need to be borne in mind when considering corporate governance issues:

- ▶ The requirements of the Capital Markets Authority (CMA) of Saudi Arabia and of Tadawul,
- ▶ The Companies Law of Saudi Arabia and associated ministerial directives of the Ministry of Commerce & Industry (MOCI),
- ▶ Almarai's own By-Laws.

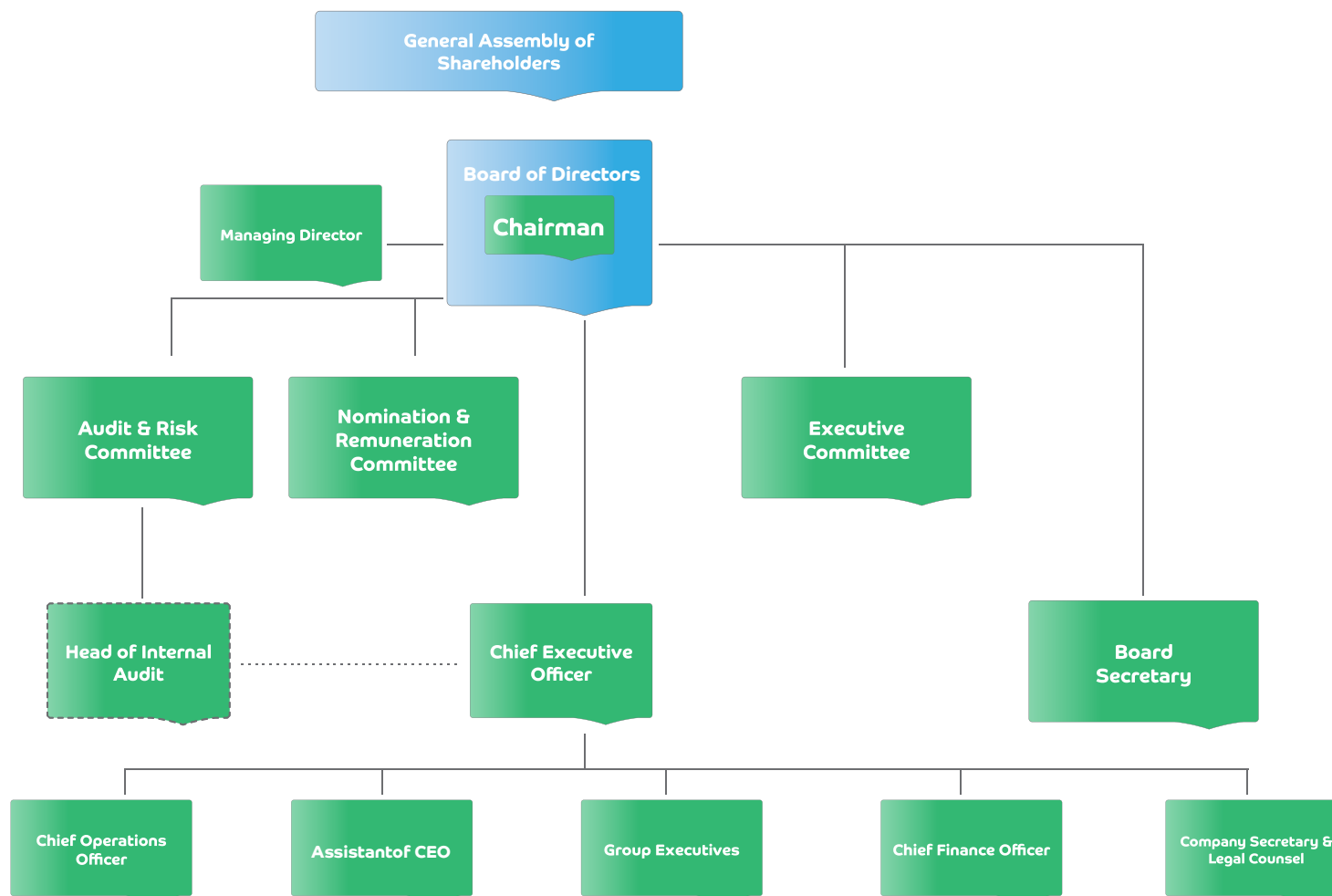
The Board of Directors will approve amendments to this Corporate Governance framework from time to time to comply with changing legal and business requirements, consistent with ensuring sound management and governance practices. Readers should remain abreast of changes in regulations which may not have been updated in this code. Whenever a conflict arises between the code and the laws or regulations of the Kingdom of Saudi Arabia, then those laws or regulations shall prevail over this code to the extent they are in conflict. The Governance Structure of Almarai Subsidiary Companies and controlled entities are not shown separately herein, but have the same broad reporting lines as Almarai functions, with legal responsibility to Almarai's Board of Directors.

The rights of shareholders and the General Assembly:

Almarai Articles of Association and Corporate Governance ensure providing Shareholders with all rights related to shares; in particular the right of receiving a share of approved dividends payments, the right to receive a share of the Company's assets upon liquidation, the right to attend Shareholders General Assemblies and participate in their deliberations and voting on their decisions, the right of shares disposal, the right to oversee the work of the Board of Directors and file responsibility litigation against Board Members, and the right to inquire and request information as not to compromise the interests of the Company and does not conflict with the Terms and Executive Regulations of the Capital Market Authority. Almarai manages to allow the greatest participation of its Shareholders in the General Assembly meetings, and is very keen to choose the appropriate time and place to be held. Further, Almarai adopts the remote voting system to make it easier for its Shareholders to exercise their right of voting.

Almarai Articles of Association and Corporate Governance also provide Provisions related to the Shareholders General Assembly, which includes procedures and precautions necessary to ensure that all Shareholders are exercising their regular rights. The Shareholders General Assembly is the highest power in the Company with sole authorities including the appointment and termination of the Board Members, oversee the work of the Board of Directors and file responsibility litigation against Board Members, and the right to inquire and request information as not to compromise the interests of the Company and does not conflict with the Terms and Executive Regulations of the Capital Market Authority, approval of the

Consolidated Financial Statements, appointment of the External Auditor and determination of his fees, approval of dividends distribution as recommended by the Board of Directors, increase or decrease of the capital of the Company, and the amendment of the Articles of Association of the Company. Noting that Almarai provides sufficient access to its Shareholders to read the minutes of the General Assembly meeting, and provides the Capital Market Authority with a copy of the minutes during (ten) days from the date of the meeting.



Board of Directors Formation and Functions:

Almarai's By-Laws provide for a Board of Directors, comprising nine members. The By-Laws specify the rules regarding the appointment, resignation, term of office, powers and remuneration, and the principal requirements are summarised herein. The Board of Directors is the supreme management body in the company and is appointed by the shareholders in General Assembly in order to represent and protect the company's interests. The Board is responsible to lead and control the company and discharges this responsibility by approving the implementation of company strategies and objectives and empowering the management of the company to run the business within defined parameters and by closely monitoring the performance of the company. While the Board delegates authority to the company's management, under the direction of the Chief Executive Officer (CEO), to attend to the routine running of the company's business, the Board retains the ultimate fiduciary responsibility to shareholders to ensure the proper operations of the company. The Board is appointed by Shareholders and has the primary responsibility of operating the company in the long term best interests of shareholders. The Board also has a vital responsibility to provide clear directions and boundaries in which the company's Executive Management must operate. This involves setting out a clear vision and strategy for the company and defining the delegations that will be allowed to management and the policies and boundaries in which they are permitted to operate.

- ▶ Develop the Vision and Mission of the company.
- ▶ Develop the basic company strategy and approve long term development plans
- ▶ Approve the major financial and operational targets for the company.
- ▶ Approve short and medium term plans, including annual budgets.
- ▶ Ensuring that the company adopts the right

balance between short term profitability and long term performance optimisation.

- ▶ Propose and review proposals for major business development initiatives, including mergers or acquisitions.
- ▶ Continually seek to rationalize the company's business operations or the industries in which the company participates.
- ▶ Ensure adequate resources are available to the company.

Members of the Board of Directors:

The Extraordinary General Assembly held on April 2nd 2013 has re-elected the existing Board of Directors via accumulated voting for three years effective August 7th 2013. The following tables illustrate Directors names, classification, membership in other listed companies, and their attendance of Board meetings during 2013, noting that these meetings were planned, and the Chairman has not received any request by two or more of the Board Members to hold emergency meetings during 2013:

Classification of the Board of Directors					
Member Name	Position	Membership status	Dependency	Membership of joint stock companies listed on other	
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman of the Board	Non Executive	Non Independent	Yamamah Saudi Cement Co., Arabian Shield Cooperative Insurance Company, Al-Tayyar Travel Group Holding Co.	
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Board Member	Non Executive	Non Independent	-	
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Managing Director	Executive	Non Independent	-	
Mr. Suliman bin Abdulqader Al Muhaideb (A representative of the Savola Group)	Board Member	Non Executive	Non Independent	The Saudi British Bank, National Industrialization Co, Savola Group	
Dr Abdulraof bin Mohammed Mana'a (A representative of the Savola Group)	Board Member	Non Executive	Non Independent	Savola Group, The Saudi Investment Bank, Herfy Food Services Co, Knowledge Economic City	
Mr. Ibrahim bin Mohammed Al Issa (A representative of the Savola Group)	Board Member	Non Executive	Non Independent	Savola Group, Banque Saudi Fransi, Yanbu Cement Co., Taiba Holding Co.	
Engr. Nasser bin Mohammed Al Muttawa	Board Member	Non Executive	Independent	Arabian Shield Cooperative Insurance Company, Al-Tayyar Travel Group Holding Co.	
Engr. Mosa bin Omran Mohammed Al Omran	Board Member	Non Executive	Independent	Banque Saudi Fransi	
Dr. Ibrahim bin Hassan Al Madhon	Board Member	Non Executive	Independent	Herfy Food Services Co, Red Sea Housing Services Company, Fitaihi Holding Group	

Meetings of the Board of Directors						
Member Name	Meetings					Attendance Rate
	First	Second	Third	Fourth	Fifth	
	25-Feb	2-Apr	28-May	10-Sep	29-Dec	
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	✓	✓	✓	-*	✓	80%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	✓	-*	✓	✓	-*	60%
Mr. Abdulrahman bin Abdulaziz Al Muhanna	✓	✓	✓	✓	✓	100%
Mr. Suliman bin Abdulqader Al Muhaideb (A representative of the Savola Group)	✓	✓	✓	✓	✓	100%
Dr Abdulraof bin Mohammed Mana'a (A representative of the Savola Group)	✓	✓	✓	✓	✓	100%
Mr. Ibrahim bin Mohammed Al Issa (A representative of the Savola Group)	✓	✓	✓	✓	✓	100%
Engr. Nasser bin Mohammed Al Muttawa	✓	-*	✓	-*	-*	40%
Engr. Mosa bin Omran Mohammed Al Omran	✓	-*	✓	✓	✓	80%
Dr. Ibrahim bin Hassan Al Madhon	✓	✓	✓	✓	✓	100%

* By proxy

Ownership of Board of Directors Members, their Spouses and Minor Children

The following tables illustrate Board Members, Spouses and Minor Children interest in Almarai shares and any changes which have occurred during 2013. Note that none of them have any interest in debt instruments issued by Almarai and there were no arrangements or agreement by which any of the Board Members waiver any salary or compensation.

Note that some of the change in the number of shares are a result of the increase in shares capital

Ownership of the Board of Directors Members								
Member Name	Shares				Debt Instruments (SAR)			
	Number of Shares at beginning of the year	Net Change	Number of Shares at end of the year	Percentage change	At beginning of the year	Net Change	At end of the year *	Percentage change
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	114,782,615	57,391,307	172,173,922	50.0%	-	-	-	-
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	3,478,261	1,739,130	5,217,391	50.0%	-	-	-	-
Mr. Abdulrahman bin Abdulaziz Al Muhanna	1,302,000	214,500	1,516,500	16.5%	-	-	-	-
Mr. Suliman bin Abdulqader Al Muhaideb (A representative of the Savola Group)	3,478	1,739	5,217	50.0%	-	-	-	-
Dr Abdulraof bin Mohammed Mana'a (A representative of the Savola Group)	1,739	869	2,608	50.0%	-	-	-	-
Mr. Ibrahim bin Mohammed Al Issa (A representative of the Savola Group)	5,217	2,608	7,825	50.0%	-	-	-	-
Engr. Nasser bin Mohammed Al Muttawa	552,934	(550,326)	2,608	-99.5%	-	-	-	-
Engr. Mosa bin Omran Mohammed Al Omran	3,496,128	1,748,064	5,244,192	50.0%	-	-	-	-
Dr. Ibrahim bin Hassan Al Madhon	4,000	2,000	6,000	50.0%	-	-	-	-
Dr. Abdulrahman AlTuraigi *	417	208	625	49.9%	-	-	-	-
	123,626,789	60,550,099	184,176,888	49.0%				

* Secretary of the Board of Directors

Their Spouses and Minor Children								
Member Name	Shares				Debt Instruments (SAR)			
	Number of Shares at beginning of the year	Net Change	Number of Shares at end of the year	Percentage change	At beginning of the year	Net Change	At end of the year	Percentage change
Wife of HH Prince Sultan bin Mohammed bin Saud Al Kabeer	2,516,182	1,258,091	3,774,273	50.0%	-	-	-	-
Wife of Abdulrahman bin Abdulaziz Al Muhanna	19,130	(4,130)	15,000	-21.6%	-	-	-	-
Abdulaziz Abdulrahman bin Abdulaziz Al Muhanna	9,000	(1,500)	7,500	-16.7%	-	-	-	-
Wife of Mosa Omran Mohammed Al Omran	184,347	92,173	276,520	50.0%	-	-	-	-
	2,728,659	1,344,634	4,073,293	49.3%				

Ownership of Senior Managers, their Spouses and Minor Children:

The following table illustrates Board Members, Spouses, and Minor Children interest in Almarai shares and any changes which have occurred during 2013. Noting that none of them has any interest in debt instruments issued by Almarai and there were no arrangements or agreement by which any of the Board Members waiver any salary or compensation. (There is no ownership of to their spouses and minor children)

Ownership of the Senior Managers, Spouses and Minor Children								
Senior Management	Shares				Debt Instruments (SAR)			
	Number of Shares at beginning of the year	Net Change	Number of Shares at end of the year	Percentage change	At beginning of the year	Net Change	At end of the year	Percentage change
Mr. Abdulrahman A. Al Fadley	3,478	1,739	5,217	50.0%	-	-	-	-
Mr. Abdullah M. Abdulkarim	173	86	259	49.7%	-	-	-	-
Mr. Georges P. Schorderet	101,000	51,000	152,000	50.5%	-	-	-	-
Mr. Paul Gay	217	533	750	245.6%	-	-	-	-
Mr. Andrew Mackie	12,763	34,881	47,644	273.3%	-	-	-	-
Mr. Majed Nofel	173	(173)	0	-100.0%	-	-	-	-
Mr. Abdullah N. Al Bader	104	52	156	50.0%	-	-	-	-
	117,908	88,118	206,026	74.7%				



Details of Paid Compensation and Remuneration:

Members of the Board of Directors do not receive any remuneration as a result of managing the Company unless approved by the General Assembly. Other than that, Members of the Board of Directors receive attendance allowance for Board and Board Committees meetings. Executive Directors receive fixed advantages as a result of their direct duties and responsibilities. The most Senior Executives including the Chief Executive Officer and the Chief Financial Officer receive the advantages according to employment contracts signed with them. The following table illustrates details of remunerations and compensations paid to Directors and Senior Executives:

Paid to directors and senior executives during 2013						
(SAR '000)	Board of Directors			Highest Paid Five / Including CEO and CFO Executives		
	Executive Board Member	Non Executive/ Independent Board Member	2013	2012	2013	2012
Salaries and Compensation	1,386	-	1,386	1,386	6,564	6,655
Allowances	516	285	801	843	834	834
Annual and Periodic Bonuses	1,200	1,600	2,800	2,800	12,889	11,786
Incentive Schemes	-	-	-	-	-	-
Compensation or benefits	260	1,360	1,620	1,620	460	460
Total	3,362	3,245	6,607	6,649	20,747	19,735

Board of Directors Committees

The Board may at any time establish by formal resolution other subcommittees, and specify the authority, objectives and reporting lines of such committees. On an annual basis the Board will review and either ratify or modify the authorities of the all subcommittees, to ensure that their delegations remain appropriate.

Executive Committee

Almarai's By-laws (article 26) allow the Board the option to establish an Executive Committee, if it so chooses. Article 26 states: "The Board of Directors may appoint from among its members an Executive Committee. The Board of Directors shall appoint a Chairman from among the members of the Committee and shall specify the number of members of the Committee and the required quorum for its meetings. In accordance with the directions and guidelines prescribed by the Board from time to time, the Committee may exercise all of the powers authorised by the Board. The Executive Committee may not revoke or alter any of the resolutions adopted, or rules laid down, by the Board of Directors".

As can be seen from the above, the Executive Committee can be delegated whatever powers the Board may wish to delegate, within the restrictions laid down under the various governing legislation and regulations, including the Capital Markets Law and the CMA's rules, Tadawul Regulations, Companies Act and the regulations of the Ministry of Commerce & Industry. Almarai has decided to operate an Executive Committee with the following powers and responsibilities: Delegated Roles and Responsibilities of the Executive Committee

- ▶ Participate in the development of new strategic plans, and evaluate proposals from executive management for such new plans, including possible mergers or acquisitions, and make recommendations to the Board.
- ▶ Review company performance at each Executive Committee meeting and assess performance against targets, analyse and make enquiries about the underlying factors, trends and major developments and advise management accordingly.
- ▶ Review company performance on a monthly basis against agreed objectives and budgets, based on an agreed set of reports to be supplied monthly by company management, and alert management and other Executive Committee members of anything of significant developments observed. If necessary, request the Company's management to convene an additional committee meeting.
- ▶ Review, evaluate and make recommendations to the Board on the approval of annual budgets.
- ▶ Review and evaluate new Project Capex Proposals, approving those within the delegation of the committee, initially set as approval of Project Capex up to SAR 20 million, and capped at a maximum approval of SAR150 million in any one financial year after approval of the annual (Operational and Capex) budget. In the case of all Project Capex outside this delegation, the committee will review and evaluate the Capex and make a recommendation to the Board on acceptability.
- ▶ Review post-implementation analyses supplied by management for all major Capex (greater than SAR 2 million) and advice the Board on the outcome and any learning points to emerge.
- ▶ Provide advice to the Board on the setting of dividends, taking into account any recommendations made by the Audit & Risk Committee in regard to dividends.
- ▶ Review policies and procedures developed by Executive management, but not approve anything requiring Board approval.
- ▶ Approve the appointment of persons reporting directly to the CEO, based on the recommendations of the CEO, providing that he should not take office until approved by this committee.
- ▶ Make recommendations to the Board on any changes to sponsors or Agency structures.
- ▶ Review and approve request for corporate guarantees, up to the Committee's Limit of Authority.
- ▶ Periodically review the company's Corporate Governance policies, and Code of Conduct, and make recommendations to the Board for any modifications considered desirable.
- ▶ Carry out specific requests from the Board of Directors.
- ▶ Review the implementation of decisions taken by the Board as well as by the Executive Committee itself.
- ▶ Review matters or intended actions which might have a significant impact on the Company's Public Image.

During 2013 The Executive Committee held 5 meetings. The following table illustrates names, positions, and attendance of the Committee Members:

Executive Committee meetings during 2013							
Member Name	Position	Meetings					Attendance Rate
		First 4-Feb	Second 1-Apr	Third 27-May	Fourth 9-Sep	Fifth 29-Dec	
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Chairman	✓	✓	✓	✓	✓	100%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	member	✓	✓	✓	✓	✓	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	member		Not a member		-	✓	20%
Engr. Mosa Omran Mohammed Al Omran	member	✓	✓	✓	✓	✓	100%
DR. Abdulraof Mohammed Mana'a	member	✓	✓	✓	✓	✓	100%
Dr. Ibrahim Hassan Al Madhon	member	✓	✓	✓	✓	✓	100%
Mr. Abdulrahman A. Al Fadley	member	✓	✓	✓	✓	✓	100%
Mr. Christopher Ledwidge	member	✓	✓	✓	✓	✓	100%

Audit and Risk Committee

The Audit & Risk Committee will undertake the full role of an audit committee as well as oversight of the management of risk within the company. The Audit & Risk committee does not make direct decisions but makes recommendations to the Board, who would ordinarily be expected to make decisions and take actions based on the advice of the Audit & Risk Committee.

The Audit & Risk Committee's main role is to review and monitor the integrity of financial statements, the company's internal control system, risk management systems and the appointment, role and effectiveness of external and internal auditors. The specific terms of reference of the committee will be determined by the committee from time to time, then agreed by the Board of Directors and approved by the General Assembly of Shareholders. In particular the committee's role includes:

- ▶ Review Almarai's interim and final financial statements and advise the Board on the acceptability thereof.
- ▶ Consider and review the scope of work, reports and activities of the external auditor, and comment on his report where appropriate.
- ▶ Establish policies as appropriate in regards to independence of the external auditor, and on the basis of information received from the external auditors and management, form a judgment as to the independence of the external auditors.
- ▶ Consider the appointment and proposed fees of the external auditor and if appropriate conduct a tender of the audit. Any subsequent recommendation following the tender for the appointment of an external auditor will be put to the Board and then if a change is approved it will be put forward to shareholders for their approval;
- ▶ Consider internal control and compliance

structures;

- ▶ Consider the work plans of internal audit, review summary reports of their audits and monitor management's responses.
- ▶ Receive from management information as to their processes for the identification, monitoring and management of significant business risks;
- ▶ Investigate any activity within its terms of reference or any matters specifically requested by the Board.
- ▶ Ensure that management uses adequate risk management techniques to mitigate serious risks to the company
- ▶ Ensure that the company has adequate systems of internal control in place to safeguard the company against major losses
- ▶ Periodically review the company's delegation of authority matrix and recommend any enhancement necessary.
- ▶ To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- ▶ To review the external auditor's comments on the financial statements and follow up the actions taken about them.
- ▶ To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

The Members of the Audit & Risk Committee shall be appointed by a resolution of the Board of Directors and may be removed or replaced by the Board of Directors at any time. The committee will comprise a minimum of three members including the chairman, who will be appointed by the members during the first meeting. The Chairman of the Board is not eligible to be a member of the Committee. Committee members should be selected to ensure a range of different backgrounds,

skills and experiences, and a sound understanding of the industry in which Almarai operates. At least one member should have sound accounting or finance experience. Members are appointed for a term determined by the Board, up to a maximum of three years, and are eligible for re-appointment subject to the composition requirements for the Committee. Members appointed from the Board will automatically cease to be committee members if they cease to be members of the board. Membership of the Committee should be disclosed in the annual report. The names of members of the Audit & Risk Committee shall be disclosed in the Directors' Report. The extra duties and responsibilities attaching to members of the Audit & Risk Committee will be specifically considered when setting directors remuneration. The committee may seek the assistance of experts from within the Kingdom of Saudi Arabia or elsewhere, in order to execute its mission.

During 2013 the Audit & Risk Committee held 4 meetings. The following table illustrates names, positions and attendance of the Committee Members:

Audit and Risk Committee meetings during 2013						
		Meetings				
		First	Second	Third	Fourth	
Member Name	Position	3-Feb	31-Mar	26-May	8-Sep	Attendance Rate
Dr. Abdulrahman AlTuraigi	Chairman	✓	✓	✓	✓	100%
Dr. Muhammad A. H. Ikhwan	member	✓	✓	✓	✓	100%
Mr. Farraj Abo Thenian	member	✓	✓	✓	✓	100%
Mr. Sulaiman N. Alhatlan	member	✓	✓	✓	-	75%

Results of Annual Internal Audit Procedures:

Since the basic functions of the Board of Directors include:

- ▶ Ensuring the safety of financial and accounting systems including systems related to financial reports preparation.
- ▶ Ensuring the application of control systems for risk management by selecting the general perception of risks that may face Almarai and its Subsidiaries transparently.
- ▶ Annual audit of the effectiveness of Internal Control Procedures in Almarai and its Subsidiaries.

The Board of Directors is committed that the Internal Audit – functionally linked to the Audit & Risk Committee – is one of the necessary tools to control, improve, and supervise performance to the level of Almarai Group in order to improve work practices and Corporate Governance in Almarai. Accordingly, the basic functions specified to the Internal Audit include the following:

1. Assisting the Board of Directors (through the Audit & Risk Committee) in protecting and securing the benefits of Almarai and its Subsidiary Companies.
2. Informing the General Manager and the Audit & Risk Committee of the audit results and comments and review topics that the Internal Audit feels of potential interest to the Company, and provide copies of relevant reports to both the Audit & Risk Committee and the General Manager.
3. Agreement with the General Manager and the Audit & Risk Committee on the annual audit scope to guarantee coverage of all potential risks on Almarai and its Subsidiary Companies .
4. Informing the Audit & Risk Committee of the risk management inside Almarai and its Subsidiary Companies.
5. Assisting Almarai Management in the commercial

and quality assessment of operations to guarantee their effectiveness and efficiency.

6. Investigation into specific issues brought to it by Almarai Management or the Audit & Risk Committee.
7. Creating a communications channel with Almarai employees and others to raise their remarks on issues privacy on the bases of strict confidentiality.

From the above, it is clear that there are different levels to confirm the effectiveness and efficiency of the Risk Management in Almarai. The Audit Committee of the Board of Directors directly supervises the Internal Audit in Almarai. The Audit Department regularly examines the extent of efficiency and effectiveness of the Internal Audit Control System to the level that provides it with continuous assessment on the extend of its efficiency and effectiveness.

Accordingly, the Board of Directors (the Board), based on the reports and recommendations of the Audit & Risk Committee, in line with the Business Plans, confirms following in respect of the year 2013:

- ▶ That no matters were brought to the Board’s attention, that would lead the Board to believe that there was a fundamental lack of safety of financial and accounting systems, such that it would require a disclosure.
- ▶ That the control systems are effectively functioning and facilitating the mitigation of potential risks that Almarai and its subsidiaries may face; and that no matters relating to the functioning of internal controls were brought to the Board’s attention, that would require a disclosure.
- ▶ That all necessary arrangements and corrective actions have been taken on all notes and recommendations raised by Internal Audit to the Audit & Risk Committee.

Nomination and Remuneration Committee:

There has been the formation of a Nomination and Remuneration Committee upon the recommendation of the Board of Directors Association ordinary general meeting on 24 March 2008 for the purpose of making recommendations to the Board of Directors nominations to the Council, and to develop clear policies for the remuneration of the Board Of Directors and senior executives of the company and its subsidiaries, and review the structure of the Board of Directors, and to identify weaknesses and strengths of the members of the Council, and on an annual basis to ensure the independence of the independent members, and the absence of a conflict of interest if the member is a member of the Board of Directors of another company. In general, the Commission’s role includes specifically the following tasks:

- ▶ Review the composition, tenure, performance and membership of the Almarai Board of Directors and of Board Sub-committees.
- ▶ Make recommendations on new appointments to the Board in order to ensure that the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance.
- ▶ Review and make recommendations to the Board on the remuneration of Directors, inclusive of Directors fees, salaries, benefits, incentive payment, pensions, severance entitlements and all other forms of compensation.
- ▶ Review and recommend to the Board for approval the overall direction of Almarai’s strategies and policies in respect of remuneration and benefits, recognition of executive employment performance, succession planning and executive development.
- ▶ Review and make recommendations to the Board on the compensation packages of senior management comprising the CEO of Almarai and of executives reporting directly to the CEO.

- ▶ Assess the necessary and desirable competencies of Board members and evaluate the Board's performance. This should include a review, on an annual basis, of the current composition of the Board taking into consideration the independence, age, skill, experience and availability of service to the Company of its members and of anticipated needs. The Committee will identify and review with the Board the appropriate skills and characteristics required of the directors.
- ▶ Specifically ensure that all nominees for appointment as a director are free of any prior conviction for fraudulent or criminal acts.
- ▶ Review and make recommendations to the Board on the appointment and removal of Directors, taking regard of the Company's Director nomination procedures, and on the remuneration of Directors.
- ▶ Ensure adequate orientation and training for new Directors about the affairs and business of the company to allow them to properly discharge their duties.
- ▶ Review and make recommendation to the Board on the remuneration including short and long term incentives, for the Chief Executive Officer, and performance targets for the Chief Executive Officer.
- ▶ Review and approve recommendation from the Chief Executive Officer on the remuneration of senior executives reporting to the Chief Executive Officer.
- ▶ Review performance targets for senior executives reporting to the Chief Executive Officer.
- ▶ Review human resource and remuneration policies and practice for the Company as brought forward by the Chief Executive Officer and where appropriate recommend adoption by the Board.
- ▶ Review management succession planning for the company in general but specifically with regard to the Board, Chief Executive Officer and senior

Executives reporting to the Chief Executive Officer.

- ▶ Review and approve recommendations from the Chief Executive Officer on the appointments and terminations to senior executive positions reporting to the Chief Executive Officer with the exception of the Chief Financial Officer and company Secretary whose appointment or termination must be approved by the Board, and the Head of Internal Audit whose termination must be approved by the Audit and Risk Committee.
- ▶ Annually confirm the continuing independence of Independent members of the Board.
- ▶ Annually confirm that Directors do not have a conflict of interest by virtue of directorships that they hold in other companies.
- ▶ Review the structure of the Board of Directors and recommend changes.
- ▶ Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the company's interest.
- ▶ Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.

During 2013 the Audit & Risk Committee held 2 meetings. The following table illustrates names, positions, and attendance of the Committee Members:

Nomination and Remuneration Committee meetings during 2013				
		Meetings		
		First	Second	
Member Name	Position	5-Feb	9-Dec	Attendance Rate
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman	✓	-	50%
Mr. Abdulrahman bin Abdulaziz Al Muhanna	member	✓	✓	100%
Engr. Mosa Omran Mohammed Al Omran	member	✓	✓	100%
MR. Abdulrahman A. Al Fadley	member	✓	✓	100%

Related Party Transactions:

The written policy of conflict of interest within Almarai Corporate Governance governs conflicts of interest and cures possible conflict situations for Directors, Executives, and Shareholders. The General Assembly shall be notified with any conflict of interest where request of approval shall be raised.

During the normal course of its operations, Almarai had following significant transactions with related parties on a arm's length basis.

Nature of Transaction (SAR '000)	2013	2012
Sales to		
Savola Group	422,438	375,593
International Dairy & Juice Ltd.	-	14,167
International Pediatric Nutrition Company	4,502	16,931
Total Sales	426,940	406,691
Purchases From		
Savola Group		
Savola Packaging Systems Co. Ltd.	117,905	105,017
United Sugar Co.	88,466	119,452
Afia International	9,633	10,325
	216,004	234,793
Managed Arable Farm		
Al Kabeer Farms - Forage	44,615	50,328
Rental Thodhia Farm - Dairy	813	813
	45,428	51,141
Arabian Shield Insurance Co.	53,893	46,127
International Pediatric Nutrition Company	19,876	-
Pure Breed Co.	-	12,333
Abdul Aziz Al Muhanna (Land Rent)	173	173
	73,942	58,633
Total Purchases	335,374	344,568

Dealings during the year 2013:

Following significant related party transactions during the year 2013 need approval from General Assembly:

Member	Nature of Dealing	Amount SAR '000	Period	Conditions
Savola Group				
Savola Group	Product Sales	422,438	One Year	The Prevailing business conditions
Savola Packaging Systems Co. Ltd.	Packaging Purchasing	117,905	One Year	The Prevailing business conditions
United Sugar Company	Sugar Purchasing	88,466	One Year	The Prevailing business conditions
Afia International Company	Soya Bean Oil Purchasing	9,633	One Year	The Prevailing business conditions
Chairman \ Prince Sultan bin Mohhamed bin Saud Al Kabeer				
Al Kabeer Farms - Forage	Contract Management and Procurement Feed	44,615	One Year	The Prevailing business conditions
Rental Thodhia Farm - Dairy	Lease Contract	813	One Year	The Prevailing business conditions
Arabian Shield Insurance Co.	Insurance	53,893	One Year	The Prevailing business conditions
Mr. Abdulaziz Ibrahim Al Muhana				
Rent of Land for Distribution Centre in Sharjah	Lease Contract	173	From 10th April 2001 to 9th April 2021	The Prevailing business conditions



Board of Directors Certification

Despite the fact that the Board of Directors has taken care of necessary professional performance during the previous year and during the year 2013 in particular, but the Board certifies the following:

- ▶ There are no equity shares or debt instruments belonging to Subsidiaries.
- ▶ There are no convertible debt instruments or any securities or contractual right of initial public offering or similar rights issued or granted by Almarai during the year 2013, and there is no compensation obtained by Almarai in return.
- ▶ There are no rights of conversion or initial public offering under convertible debt instruments or any securities or contractual right of initial public offering or similar rights issued or granted by Almarai during the year 2013.
- ▶ There is no redemption, purchase, or cancellation by Almarai or any of its Subsidiaries to any redemption debt instruments occurred during the year 2013.
- ▶ There are no substantial operations of conflict of interest other than what has been disclosed.
- ▶ We have not received a request from the External Auditors for the General Assembly Meeting during the year 2013.
- ▶ We have not received a request from Shareholders owning 5% or more of the shared capital, to call a General Assembly Meeting during the year 2013.
- ▶ There is no procedure that might lead to obstruct using shareholder's right of voting.
- ▶ There are no substantial events affecting the integrity of the financial position of the Company after the Fiscal Year 2013 requiring disclosure other than what is available and information declared.
- ▶ Proper books of account have been maintained.
- ▶ The System of Internal Control is sound and effectively applied.
- ▶ There are no significant doubts concerning Almarai ability to continue as a going concern.

Recommendations to the General Assembly

We are pleased, after reviewing the most important operational and financial activities for the Financial Year 2013, to attach the Consolidated Financial Statements with and Auditor Report for the same year. We recommend the General Assembly to approve the Board of Directors Report, the Consolidated Financial Statements, and the Auditor Report.

Place and time of the General Assembly Meeting and any other items in the Agenda shall be announced later.



Auditor's Report

Independent Auditors' Report



The Shareholders

Almarai - Joint Stock Company

Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of **Almarai - Joint Stock Company** ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 31 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines in necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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

- 1) Present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group.
- 2) Comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan

Abdullah H. Al Fozan

License No. 348

Date: 17 Rabi Al-Awal 1435H

Corresponding to: 19 January 2014

A handwritten signature in blue ink, appearing to be 'Abdullah H. Al Fozan', is written over a light blue horizontal line.



Almarai Company A Saudi Joint Stock Company

Consolidated Balance Sheet As At 31 December 2013

	Notes	2013 SAR '000	2012 SAR '000
Assets			
Current Assets			
Cash and Cash Equivalents	4	1,810,516	417,304
Trade Receivables and Prepayments	5	978,086	791,688
Inventories	6	2,545,315	2,317,097
Derivative Financial Instruments	24	14,328	34,934
Total Current Assets		5,348,245	3,561,023
Non Current Assets			
Investments	7	479,075	244,327
Property, Plant and Equipment	8	15,028,012	13,415,836
Biological Assets	9	992,350	901,029
Intangible Assets - Goodwill	10	1,310,126	1,335,455
Derivative Financial Instruments	24	11,987	-
Deferred Charges		108,598	50,756
Deferred Tax Asset		1,577	10,222
Total Non Current Assets		17,931,725	15,957,625
Total Assets		23,279,970	19,518,648
Liabilities And Equity			
Liabilities			
Current Liabilities			
Short Term Loans	11	1,682,970	1,399,818
Payables and Accruals	12	1,988,591	2,176,575
Derivative Financial Instruments	24	48,902	102,977
Total Current Liabilities		3,720,463	3,679,370
Non Current Liabilities			
Long Term Loans	11	8,288,900	7,254,743
End of Service Benefits		340,045	287,056
Deferred Tax Liability		119,985	126,489
Derivative Financial Instruments	24	46,389	-
Total Non Current Liabilities		8,795,319	7,668,288
Total Liabilities		12,515,782	11,347,658

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Almarai Company A Saudi Joint Stock Company

Consolidated Balance Sheet As At 31 December 2013 - Continued

	Notes	2013 SAR '000	2012 SAR '000
Equity			
Share Capital	13	6,000,000	4,000,000
Statutory Reserve		1,063,138	912,917
Other Reserve		(188,585)	(189,861)
Treasury Shares		(146,386)	(95,282)
Retained Earning		1,714,303	2,921,667
Equity Attributable to Shareholders		8,442,470	7,549,441
Perpetual Sukuk	14	1,700,000	-
Equity Attributable to Equity Holders of the Company		10,142,470	7,549,441
Non Controlling Interest		621,718	621,549
Total Equity		10,764,188	8,170,990
Total Liabilities And Equity		23,279,970	19,518,648

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Almarai Company A Saudi Joint Stock Company

Consolidated Statement Of Income For The Year Ended 31 December 2013

	Notes	2013 SAR '000	2012 SAR '000
Sales	16	11,219,182	9,882,996
Cost of Sales	17	(7,267,336)	(6,371,919)
Gross Profit		3,951,846	3,511,077
Selling and Distribution Expenses	18	(1,870,466)	(1,616,749)
General and Administration Expenses	19	(284,774)	(221,402)
Operating Income		1,796,606	1,672,926
Share of Results of Associates and Joint Ventures	7	(29,967)	(24,583)
Finance Charges		(224,282)	(157,487)
Income from Main Operations		1,542,357	1,490,856
Zakat and Foreign Income Tax	20	(41,985)	(50,946)
Income before Non Controlling Interest		1,500,372	1,439,910
Non Controlling Interest		1,835	718
Net income for the Year		1,502,207	1,440,628
Earnings per Share (SAR), based on Income from Main Operations	21		
- Basic		2.56	2.50
- Diluted		2.55	2.48
Earnings per Share (SAR), based on Net Income for the Year	21		
- Basic		2.50	2.41
- Diluted		2.48	2.40

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Almarai Company A Saudi Joint Stock Company

Consolidated Statement Of Cash Flows For The Year Ended 31 December 2013

	Notes	2013 SAR '000	2012 SAR '000
Operating Activities			
Net Income for the Year		1,502,207	1,440,628
Adjustments for:			
Depreciation of Property, Plant and Equipment	22	1,153,466	924,861
Depreciation of Biological Assets	22	177,154	140,836
Profit on Sale of Property, Plant and Equipment	22	(9,926)	(77,122)
Loss on Sale of Biological Assets	22	46,962	46,758
Finance Charges Accrued		224,282	157,487
Zakat and Foreign Income Tax Accrued		41,985	50,946
Deferred Tax		-	(637)
Share of Results of Associates and Joint Ventures		29,967	24,583
Provision for End of Service Benefits		62,709	55,767
Share Based Payment Expense		8,532	6,227
Non Controlling Interest		(1,835)	(718)
Changes in:			
Receivables and Prepayments		(191,848)	(91,133)
Inventories		(239,126)	(504,542)
Payables and Accruals		(172,182)	618,850
		(603,156)	23,175
End of Service Benefits Paid		(9,720)	(12,192)
Zakat and Foreign Income Tax Paid		(37,006)	(44,613)
Cash Flows Generated from Operating Activities		2,585,621	2,735,986

	Notes	2013 SAR '000	2012 SAR '000
Investing Activities			
Acquisition of Subsidiaries, Net of Cash Acquired		-	24,905
Investment in Associates and Joint Ventures	7	(234,936)	(23,501)
Dividend received from an Associate	7	2,366	2,134
Additions to Property, Plant and Equipment	8	(2,798,909)	(3,137,978)
Proceeds from the Sale of Property, Plant and Equipment	22	44,682	98,144
Additions to Biological Assets	9	(79,644)	(44,222)
Appreciation of Biological Assets	22	(393,118)	(351,544)
Proceeds from the Sale of Biological Assets	22	157,308	147,599
Cash Flows used in Investing Activities		(3,302,251)	(3,284,463)
Financing Activities			
Increase in Loans, net		1,328,750	1,480,924
Change in Deferred Charges		(57,842)	3,080
Finance Charges Paid		(261,835)	(277,576)
Dividends Paid		(498,522)	(511,842)
Net Movement in Treasury Shares		(51,104)	-
Proceeds from Issuance of Perpetual Sukuk		1,700,000	-
Perpetual Sukuk Issuance Costs		(9,918)	-
Transactions with Non Controlling Interests		(34,416)	(784)
Cash Flows Generated from Financing Activities		2,115,113	693,802
Currency Translation Impact on Cash and Cash Equivalents		(5,271)	-
Increase in Cash and Cash Equivalents		1,393,212	145,325
Cash and Cash Equivalents at 1 January		417,304	271,979
Cash and Cash Equivalents at 31 December	4	1,810,516	417,304

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Almarai Company A Saudi Joint Stock Company

Consolidated Statement Of Changes In Equity For The Year Ended 31 December 2013

	Share Capital SAR '000	Share Premium SAR '000	Statutory Reserve SAR '000	Other Reserves SAR '000	Treasury Shares SAR '000	Retained Earnings SAR '000	Equity Attributable to Shareholders SAR '000	Perpetual Sukuk SAR '000	Equity Attribut- able to Equity Holders SAR '000	Non Controlling Interest SAR '000	Total Equity SAR '000
Balance at 1 January 2012	2,300,000	1,600,500	768,854	(95,238)	(97,757)	2,242,102	6,718,461	-	6,718,461	59,191	6,777,652
Net Income for the Year	-	-	-	-	-	1,440,628	1,440,628	-	1,440,628	(718)	1,439,910
Dividend Declared	-	-	-	-	-	(517,500)	(517,500)	-	(517,500)	-	(517,500)
Bonus Shares Issued	1,700,000	(1,600,500)	-	-	-	(99,500)	-	-	-	-	-
Transfer for the year	-	-	144,063	-	-	(144,063)	-	-	-	-	-
Net Movement in Fair Value of Available for Sale Investments	-	-	-	(122,444)	-	-	(122,444)	-	(122,444)	-	(122,444)
Net Movement on Cash Flow Hedges	-	-	-	28,221	-	-	28,221	-	28,221	-	28,221
Foreign Currency Translation Differences	-	-	-	(6,627)	-	-	(6,627)	-	(6,627)	-	(6,627)
Share Based Payment Transactions	-	-	-	6,227	-	-	6,227	-	6,227	-	6,227
Net Movement in Treasury Shares	-	-	-	-	2,475	-	2,475	-	2,475	-	2,475
Transaction with Non Controlling Interests	-	-	-	-	-	-	-	-	-	(784)	(784)
Acquisition of Subsidiaries	-	-	-	-	-	-	-	-	-	563,860	563,860
Balance at 31 December 2012	4,000,000	-	912,917	(189,861)	(95,282)	2,921,667	7,549,441	-	7,549,441	621,549	8,170,990
Net Income for the Year	-	-	-	-	-	1,502,207	1,502,207	-	1,502,207	(1,835)	1,500,372
Dividend Declared	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)	-	(500,000)
Bonus Shares Issued	2,000,000	-	-	-	-	(2,000,000)	-	-	-	-	-
Transfer for the year	-	-	150,221	-	-	(150,221)	-	-	-	-	-
Net Movement in Fair Value of Available for Sale Investments	-	-	-	32,145	-	-	32,145	-	32,145	-	32,145
Net Movement in Cash Flow Hedges	-	-	-	(933)	-	-	(933)	-	(933)	-	(933)
Foreign Currency Translation Differences	-	-	-	(51,480)	-	-	(51,480)	-	(51,480)	-	(51,480)
Share Based Payment Transactions	-	-	-	8,532	-	-	8,532	-	8,532	-	8,532
Net Movement in Treasury Shares	-	-	-	-	(51,104)	-	(51,104)	-	(51,104)	-	(51,104)
Perpetual Sukuk Issue	-	-	-	-	-	-	-	1,700,000	1,700,000	-	1,700,000
Profit on Perpetual Sukuk	-	-	-	13,012	-	(13,012)	-	-	-	-	-
Perpetual Sukuk Issuance Costs	-	-	-	-	-	(9,918)	(9,918)	-	(9,918)	-	(9,918)
Transaction with Non Controlling Interests	-	-	-	-	-	(36,420)	(36,420)	-	(36,420)	2,004	(34,416)
Balance at 31 December 2013	6,000,000	-	1,063,138	(188,585)	(146,386)	1,714,303	8,442,470	1,700,000	10,142,470	621,718	10,764,188

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Almarai Company A Saudi Joint Stock Company

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

1. The Company, Its Subsidiaries And Its Business Description

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 D'I' 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 was traded between 1976 and 1991 under the Almarai brand name.

The Company and its subsidiaries (together, the "Group") are a major integrated consumer food and beverage Group in the Middle East with leading market shares in Saudi Arabia and the neighboring 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. These are Limited Liability companies registered in Saudi Arabia.

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 ("IPNC" - 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 under 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 (Fondomonte) in Argentina through its subsidiary Almarai Investment Holding Company W.L.L., incorporated in the Kingdom of Bahrain. The Group manages Fondomonte operations through following legal entities:

- Agro Terra S.A.
- Fondomonte El Descanso S.A.
- Fondomonte Inversiones Argentina S.A.
- Fondomonte Sandoval S.A.

The Group owns and operates milk production, processing and dairy food manufacturing in Egypt and Jordan through its subsidiary Almarai Investment Holding Company W.L.L., incorporated in the Kingdom of Bahrain. The Group manages these operations through following key legal entities:

- International Dairy and Juice Limited
- International Company for Agricultural Industries Projects (Beyti) (SAE)
- Teeba Investment for Developed Food Processing

The Company'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 13 Jamad Awal 1434 A.H. (25 March 2013) United Farmers Holding Company ("UFHC") was incorporated as a limited liability company in the Kingdom of Saudi Arabia. Almarai Company has contributed SAR 330,000 for a 33% share holding. UFHC has been incorporated to make long term investments in the agricultural sector in order to develop sustainable sources of food, grain and fodder on a global scale.

On 28 Jamad Awal 1434 A.H. (9 April 2013) the Group increased its stake in Teeba Investment for Developed Food Processing Company, which operates in Jordan from 75% to 100% through the purchase of the non controlling interest shareholding of 25% for a purchase consideration of SAR 64.2 million. The difference between the carrying value of Non Controlling Interest and consideration paid is reflected in Equity, as a transaction with non-controlling interests.

As at 31 December 2013, IPNC was equally owned and jointly controlled by the Group and Mead Johnson. On 2 Safar 1434 A.H. (5 December 2013) the Company entered into an agreement (the "Agreement") to acquire shares of IPNC held by Mead Johnson, for an agreed value of SAR 15.0 million. However, the Group did not have the ability to unilaterally exercise control over the operations of IPNC unless the relevant regulatory approvals for the transaction have been obtained. As these regulatory approvals were not received till 31 December 2013, the investment in IPNC has been accounted for using equity method in these consolidated financial statements (Refer note 7).

However, as the assets, liabilities and results of operations of IPNC are not material to the Group's consolidated assets, liabilities and results of operations, the management believes that the consolidation will not have any material impact for the Group.

Almarai Company A Saudi Joint Stock Company

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

Details of the subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest									
				2013				2012				Shares	
				Direct (a)	Effective	Direct (a)	Effective	Capital	Issued				
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	100%	100%	SAR	1,000,000	100,000			
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company	SAR	100%	100%	100%	100%	SAR	200,000,000	20,000,000			
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	100%	100%	SAR	300,000,000	30,000,000			
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR	100%	100%	100%	100%	SAR	200,000,000	200,000			
International Baking Services Company Limited	Saudi Arabia	Dormant	SAR	100%	100%	100%	100%	SAR	500,000	500			
Modern Food Industries Limited	Saudi Arabia	Bakery Company	SAR	60%	60%	60%	60%	SAR	70,000,000	70,000			
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR	52%	52%	52%	52%	SAR	25,000,000	250			
Nourlac Company Limited	Saudi Arabia	Trading Company	SAR	100%	100%	100%	100%	SAR	3,000,000	3,000			
Fondomonte El Descanso S.A.	Argentina	Agricultural Company	ARG	100%	100%	100%	100%	ARG	27,475,914	27,475,914			
Fondomonte Inversiones Argentina S.A.	Argentina	Agricultural Company	ARG	100%	100%	100%	100%	ARG	17,849,997	17,849,997			
Fondomonte Sandoval S.A.	Argentina	Agricultural Company	ARG	100%	100%	100%	100%	ARG	4,383,432	4,383,432			
Agro Terra S.A.	Argentina	Dormant	ARG	100%	100%	100%	100%	ARG	475,875	475,875			
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company	BHD	100%	100%	100%	100%	BHD	100,000	2,000			
Almarai International Holding W.L.L.	Bahrain	Holding Company	BHD	100%	100%	100%	100%	BHD	250,000	2,500			
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD	100%	100%	100%	100%	BHD	250,000	2,500			
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD	100%	52%	100%	52%	BHD	250,000	2,500			
International Dairy and Juice Limited	Bermuda	Holding Company	USD	52%	52%	52%	52%	USD	7,583,334	7,583,334			
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP	100%	52%	100%	52%	EGP	155,000,000	15,500,000			
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	EGP	100%	52%	100%	52%	EGP	418,000,000	41,800,000			
Markley Holdings Limited	Jersey	Dormant	GBP	100%	100%	100%	100%	-	-	-			
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD	100%	52%	75%	39%	JOD	49,675,352	49,675,352			
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD	100%	52%	100%	39%	JOD	500,000	500,000			
Al Muthedoon for Dairy Production	Jordan	Manufacturing Company	JOD	100%	52%	100%	39%	JOD	500,000	500,000			
Al Atheer Agricultural Company	Jordan	Agricultural Company	JOD	100%	52%	100%	39%	JOD	750,000	750,000			
Al Namouthjya for Plastic Production	Jordan	Manufacturing Company	JOD	100%	52%	100%	39%	JOD	250,000	250,000			
Arabian Planets for Trade and Marketing L.L.C.	Oman	Sales Company	OMR	90%	90%	90%	90%	OMR	150,000	150,000			
Aljoum for Food Products Company L.L.C.	Oman	Sales Company	OMR	100%	100%	100%	100%	OMR	20,000	20,000			
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR	100%	100%	100%	100%	EUR	13,000,000	13,000,000			
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	USD	100%	52%	100%	52%	USD	22,042,183	22,042,183			
Almarai Emirates Company L.L.C.	United Arab Emirates	Sales Company	AED	100%	100%	100%	100%	AED	300,000 (Unpaid)	300			

(a) Direct ownership means directly owned by the Company or through its subsidiaries.

Almarai Company A Saudi Joint Stock Company

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

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 available for sale investments that are measured at fair value) and in accordance with the accounting standards generally accepted in Kingdom of Saudi Arabia as issued by the Saudi Organisation for Certified Public Accountants (SOCPA).

(b) When necessary, prior year comparatives have been regrouped to conform with current year 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). A subsidiary company is that in which the Group has the power to govern the financial and operating policies of the subsidiary to obtain economic benefit generally accompanying a direct or indirect shareholding of more than one half of the subsidiary's net assets or its voting rights. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets given or liabilities incurred or assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill in the consolidated balance sheet. Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of Subsidiaries are aligned where necessary to ensure consistency with the policies adopted by the Company. The Company and its Subsidiaries have identical reporting periods. Non controlling 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 preparation of consolidated financial statements, in conformity with accounting standards generally accepted in the Kingdom of 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.

(e) These consolidated financial statements are presented in Saudi Riyal ("SAR"). The figures in these consolidated financial statements are rounded to the nearest thousand.

3. Significant Accounting Policies

A. Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank, cash in hand and short-term deposits that are readily convertible into known amounts of cash and have an original maturity of three months or less.

B. Trade Receivables

Trade receivables are carried at the original invoiced amount less any allowance made for impairment and expected sales returns. Allowance for impairment is made for the receivables which are more than three months due. Allowance for sales returns is calculated based on the forecasted return of expired products in line with the Group's product replacement policy. Bad debts are written off as incurred.

C. Inventory Valuation

Inventory is stated at the lower of cost and net realisable value. Cost is determined using weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary, for obsolete, slow moving and defective stocks.

D. Investments

a. Investment in Associates and Joint Ventures

The investments in associates and joint ventures are accounted for under the equity method of accounting when the Group exercises significant influence through participation in financial and operating policy decisions of the investee. Investments in associates and joint ventures are initially carried in the consolidated balance sheet at cost and subsequently adjusted by the post-acquisition changes in the Group's share in net assets of the associates and joint ventures less any impairment in value. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

b. Available for Sale Investments

Available for Sale Investments that are actively traded in organised financial markets, are measured and carried in the consolidated balance sheet at fair value which is determined by reference to quoted market bid prices at the close of business at the consolidated balance sheet date. The unrealised gains or losses are 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 investment, cost is taken as the most

Almarai Company A Saudi Joint Stock Company

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

appropriate, objective and reliable measurement of fair value of the investment.

E. Property, Plant and Equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the qualifying assets are capitalized during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized as an expense when incurred.

The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

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.

The assets' residual values, useful lives, method of depreciation and impairment indicators are reviewed at each financial year end and adjusted prospectively, if appropriate.

F. 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. Immature biological assets are not depreciated. The dairy herd is depreciated over four lactation cycles and other biological assets are depreciated on a

straight line basis to their estimated residual value over periods ranging from 36 weeks to 70 years as summarized below:

Dairy Herd	4 Lactation cycles
Plantations	22 – 70 years
Poultry Flock	36 weeks

G. Impairment of Non Current Assets

Non current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use; the assets are written down to their recoverable amount. Impairment losses are recognized as an expense in the consolidated statement of income.

Non current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income. Impairment losses recognized on intangible assets are not reversible.

H. Intangible Assets - 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 identifiable 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.

I. Trade Payable and Accruals

Liabilities are recognised for amounts to be paid in the

future for goods or services received, whether invoiced by the supplier or not.

J. Zakat and Foreign Income Tax

Zakat is provided for in the consolidated financial statements 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 in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made. Withholding tax, if any, is withheld in accordance with DZIT regulations.

K. Deferred Tax

Deferred tax is accounted for in foreign subsidiaries, where applicable 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 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 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 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 tax asset to be utilised.

Almarai Company A Saudi Joint Stock Company

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

L. 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 on 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 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 subjected to the hedge.

M. End of Service Benefits

End of service benefits are payable to all employees employed under the terms and conditions of the Labour Laws applicable on the company and its subsidiaries, 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.

N. Statutory Reserve

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

O. Sukuk

The Group classifies Sukuk issued as financial liabilities or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed

maturity dates and fixed dates for payment of profit distribution are classified as a liability.

Sukuk having no fixed maturity date (Perpetual Sukuk) and no fixed date for payment of profit distribution are classified as equity. Distributions thereon are recognized in equity.

P. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Stock Participation Programme, 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 as share premium.

Q. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of share based payments 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 reserves, in equity, over the period during 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 Group'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 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.

R. Conversion of Foreign Currency Transactions

During the financial year, 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 Saudi Riyal (SAR) the functional and presentation currency of the Company, at the rate of exchange ruling at the balance sheet date and their statement of income are translated at the weighted average exchange rates for the year. 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 equity.

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Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

S. 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 allowance for expected physical return of expired products. Adjustment to the allowance 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.

T. 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 a cost 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.

U. 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 Kingdom of 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 the payments made in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

V. Cost Reimbursement

The reimbursement of cost incurred in respect of the management of Arable Farms is recognised as a deduction under general and administration expenses.

W. Operating Leases

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

X. Borrowing Costs

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

Y. 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.

Almarai Company A Saudi Joint Stock Company

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

4. Cash And Cash Equivalents

	2013 SAR '000	2012 SAR '000
Cash at Bank	1,709,352	308,831
Cash in Hand	101,164	108,473
Total	1,810,516	417,304

5. Trade Receivables And Prepayments

	2013 SAR '000	2012 SAR '000
Trade Receivables		
- Third Parties	632,129	591,649
- Related Parties (Refer note 27)	79,375	72,736
	711,504	664,385
Less: Allowance for impairment of trade receivables	(45,415)	(38,939)
Less: Allowance for sales returns	(26,958)	(26,570)
Net Trade Receivables	639,131	598,876
Prepayments	338,955	192,812
Total	978,086	791,688

a) Movement in the group allowance for impairment of trade receivables was as follows:

	2013 SAR '000	2012 SAR '000
Allowance for Impairment of Trade Receivables		
Balance at 1 January	38,939	23,786
Allowance made / (released) during the year	6,476	(3,953)
On acquisition of subsidiary	-	19,106
Balance at 31 December	45,415	38,939

	2013 SAR '000	2012 SAR '000
Trade Receivables		
Up to 3 months	666,089	625,446
More than 3 months	45,415	38,939
Total	711,504	664,385

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

6. Inventories

	2013 SAR '000	2012 SAR '000
Raw Materials	1,891,620	1,783,060
Finished Goods	233,054	254,375
Spares	233,762	166,771
Work in Progress	186,879	112,891
Total	2,545,315	2,317,097

Almarai Company A Saudi Joint Stock Company

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

7. Investments

The investments in associates, joint ventures and available for sale investments comprise of the following:

	2013	2012	2013 SAR '000	2012 SAR '000
Investments in Associates and Joint Ventures (Refer note a)				
United Farmers Holding Company	33.0%	-	203,950	-
Pure Breed Company	21.5%	21.5%	33,883	36,886
International Pediatric Nutrition Company	50.0%	50.0%	13,335	11,679
Almarai Company W.L.L.	50.0%	50.0%	204	204
			251,372	48,769
Available for Sale Investments (Refer note b)				
Zain Equity Investment	2.1%	2.1%	213,539	181,394
Jannat for Agricultural Investment Company	10.0%	10.0%	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
			227,703	195,558
Total			479,075	244,327

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Notes To The Consolidated Financial Statements For The Year Ended 31 December 2013

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

	2013 SAR '000	2012 SAR '000
International Dairy & Juice Limited		
Opening Balance	-	489,500
Share of Results for the year	-	(6,740)
Transfer to consolidated subsidiary	-	(482,760)
Closing Balance	-	-
United Farmers Holding Company		
Capital Introduced	205,676	-
Share of Results for the year	(1,726)	-
Closing Balance	203,950	-
Pure Breed Company		
Opening Balance	36,886	34,723
Share of Results for the year	(637)	4,297
Distributions	(2,366)	(2,134)
Closing Balance	33,883	36,886
International Pediatric Nutrition Company		
Opening Balance	11,679	10,318
Capital Introduced	29,260	23,501
Share of Results for the year	(27,604)	(22,140)
Closing Balance	13,335	11,679
Almarai Company W.L.L.		
Opening Balance	204	204
Closing Balance	204	204

On 13 Jamad Awal 1434 A.H. (25 March 2013) United Farmers Holding Company ("UFHC") was incorporated as a limited liability company in the Kingdom of Saudi Arabia. Almarai Company has contributed SAR 330,000 for a 33% share holding. UFHC has been incorporated to make long term investments in the agricultural sector in order to develop sustainable sources of food, grain and fodder on a global scale.

(b) 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 2013 of SAR 9.30. This has resulted in an unrealised gain during the year of SAR 32.1 million (2012: Unrealised loss of SAR 122.4 million) which is shown within other reserves in equity. The Company has pledged Zain shares to Banque Saudi Fransi ("BSF") to secure the BSF loan to Zain KSA.

All other available for sale investments are stated at cost less impairment.

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8. Property, Plant And Equipment

	Land and Buildings SAR '000	Plant, Machinery & Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in- Progress (a) SAR '000	Total 2013 SAR '000	Total 2012 SAR '000
Cost						
At the beginning of the year	5,469,726	6,995,608	1,565,070	4,192,649	18,223,053	14,396,777
On acquisition of subsidiaries	-	-	-	-	-	872,500
Additions during the year	-	-	-	2,844,011	2,844,011	3,213,069
Transfers during the year	2,540,981	2,289,940	363,360	(5,194,281)	-	-
Disposals during the year	(139,922)	(166,016)	(68,307)	-	(374,245)	(259,293)
Currency Translation Difference	(19,078)	(13,734)	(4,279)	(24,275)	(61,366)	-
At the end of the year	7,851,707	9,105,798	1,855,844	1,818,104	20,631,453	18,223,053
Accumulated Depreciation						
At the beginning of the year	969,836	3,090,572	746,809	-	4,807,217	3,888,596
On acquisition of subsidiaries	-	-	-	-	-	232,031
Depreciation for the year	185,927	774,988	192,551	-	1,153,466	924,861
Disposals during the year	(117,092)	(161,738)	(60,659)	-	(339,489)	(238,271)
Reclassification	(730)	1,448	(718)	-	-	-
Currency Translation Difference	(3,706)	(10,520)	(3,527)	-	(17,753)	-
At the end of the year	1,034,235	3,694,750	874,456	-	5,603,441	4,807,217
Net Book Value						
At 31 December 2013	6,817,472	5,411,048	981,388	1,818,104	15,028,012	
At 31 December 2012	4,499,890	3,905,036	818,261	4,192,649		13,415,836

(a) Capital Work-in-Progress includes SAR 45.1 million of borrowing costs capitalised during the year (2012: SAR 75.1 million).

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9. Biological Assets

	Mature Dairy SAR '000	Immature Dairy SAR '000	Mature Poultry SAR '000	Immature Poultry SAR '000	Mature Plantations SAR,000	Immature Plantations SAR '000	Total 2013 SAR '000	Total 2012 SAR '000
Cost								
At the beginning of the year	795,457	325,227	11,603	19,376	37,711	8,950	1,198,324	1,089,562
On acquisition of subsidiaries	-	-	-	-	-	-	-	25,475
Additions during the year	-	-	-	78,395	-	1,249	79,644	44,222
Appreciation	-	393,118	-	-	-	-	393,118	351,544
Transfers during the year	286,843	(286,843)	64,554	(64,554)	3,392	(3,392)	-	-
Disposals during the year	(211,485)	(82,485)	(34,028)	-	-	-	(327,998)	(312,479)
Reclassification	(1,099)	7,660	-	-	-	-	6,561	-
Currency Translation Difference	(156)	(63)	-	-	-	-	(219)	-
At the end of the year	869,560	356,614	42,129	33,217	41,103	6,807	1,349,430	1,198,324
Accumulated Depreciation								
At the beginning of the year	288,118	-	3,388	-	5,789	-	297,295	271,944
On acquisition of subsidiaries	-	-	-	-	-	-	-	2,637
Depreciation for the year	138,267	-	38,087	-	800	-	177,154	140,836
Disposals during the year	(103,490)	-	(20,238)	-	-	-	(123,728)	(118,122)
Reclassification	6,561	-	-	-	-	-	6,561	-
Currency Translation Difference	(202)	-	-	-	-	-	(202)	-
At the end of the year	329,254	-	21,237	-	6,589	-	357,080	297,295
Net Book Value								
At 31 December 2013	540,306	356,614	20,892	33,217	34,514	6,807	992,350	
At 31 December 2012	507,339	325,227	8,215	19,376	31,922	8,950		901,029

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10. Intangible Assets – Goodwill

The goodwill arises from the acquisition of Western Bakeries Company Limited in 2007, HADCO in 2009, Fondomonte in 2011 and IDJ in 2012.

	2013 SAR '000	2012 SAR '000
Western Bakeries Company Limited (WB)	548,636	548,636
Hail Agricultural Development Company (HADCO)	244,832	244,832
International Dairy and Juice Limited (IDJ)	488,863	514,192
Fondomonte	27,795	27,795
Total	1,310,126	1,335,455

Western Bakeries Company Limited forms 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.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the 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 8.5% 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 and historical 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 of 5 years, 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 Company Limited

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 sales growth in the forecast period has been estimated to be a compound annual growth rate of 15%. 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

The cost of sales in the forecast period has been estimated at an average of 47% of sales. All other assumptions kept the same; an increase in the rate to an average of 59% 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 0.1 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 sales growth in the forecast period has been estimated to be a compound annual growth rate of 28%. 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

The cost of sales in the forecast period has been estimated at an average of 36% of sales. All other assumptions kept the same; an increase in the rate to an average of 48% would give a value in use equal to the current carrying amount.

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(c) Terminal Value Multiple

The multiple applied to net income for the final year of the forecast period to determine the terminal value is 10.8. All other assumptions kept the same; a reduction of this multiple to 3.2 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 sales growth in the forecast period has been estimated to be a compound annual growth rate of 18%. All other assumptions kept the same; a reduction of this growth rate to 16% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 66% of sales. All other assumptions kept the same; an increase in the rate to an average of 73% 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 18.7. All other assumptions kept the same; a reduction of this multiple to 2.9 would give a value in use equal to the current carrying amount.

Key Assumptions Used in Fair Value Calculations - Fondomonte

The recoverable amount 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.

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11. Term Loans

	Notes	2013 SAR '000	2012 SAR '000
Islamic Banking Facilities (Murabaha)	(a)	5,851,020	6,402,409
Saudi Industrial Development Fund	(b)	1,539,800	974,219
Banking Facilities of Foreign Subsidiaries	(c)	280,266	275,807
Agricultural Development Fund		784	2,126
		7,671,870	7,654,561
Sukuk	(d)	2,300,000	1,000,000
		9,971,870	8,654,561
Short Term Loans - Current Portion of Long Term Loans		1,682,970	1,399,818
Long Term Loans		8,288,900	7,254,743
		9,971,870	8,654,561

(a) The borrowings through Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. During 2013 the Group secured an additional SAR 1,752.0 million of Islamic Banking Facilities (Murabaha) with maturities greater than five years (2012: SAR 1,800.0 million with maturities between three to five years). As at 31 December 2013 SAR 3,143.0 million Islamic Banking Facilities (Murabaha) were unutilized and available for drawdown (2012: SAR 2,658.3 million).

(b) The borrowings of the Group from the Saudi Industrial Development Fund ("SIDF") are secured by a mortgage on specific assets amounting to SAR 1,539.8 million as at 31 December 2013 (2012: SAR 974.2 million). As at 31 December 2013 the Group had SAR 607.7 million of unutilized SIDF facilities available for drawdown with maturities predominantly greater than five years (2012: SAR 972.3 million).

(c) These 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 – Series I amounting to SAR 1,000.0 million at a par value of SAR 1.0 million 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 A.H. (7 March 2019).

On 19 Jamad Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk – Series II amounting to SAR 787.0 million at a par value of SAR 1.0 million 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 7 Shabaan 1441 A.H. (31 March 2020).

On 19 Jamad Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk – Series III amounting to SAR 513.0 million at a par value of SAR 1.0 million 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 15 Rajab 1439 A.H. (31 March 2018).

The terms of the Sukuk entitle the Company 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.

(e) Maturity of Financial Liabilities:

	Outstanding Term Loans		
	Facilities available at 2013 SAR '000	2013 SAR '000	2012 SAR '000
Less than one year	1,688,970	1,682,970	1,399,818
One to two years	4,969,536	1,811,537	2,683,756
Two to five years	3,393,539	3,273,539	3,383,747
Greater than five years	3,670,576	3,203,824	1,187,240
Total	13,722,621	9,971,870	8,654,561

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12. Payables And Accruals

	2013 SAR '000	2012 SAR '000
Trade Payable - Third Parties	1,225,392	1,429,075
- Related Parties (Refer note 27)	45,445	38,465
Other Payables	644,455	636,797
Zakat and Foreign Income Tax Accrued (Refer note 20)	73,299	72,238
Total	1,988,591	2,176,575

13. Share Capital

On 3 Dhul Qadah 1434 A.H. (9 September 2013) the Extra Ordinary General Assembly Meeting approved an increase in the Share Capital from SAR 4,000.0 million to SAR 6,000.0 million through the distribution of 1 bonus share for each 2 outstanding shares for existing shareholders at the end of the trading on the same day. All legal formalities to affect this increase have been completed.

The Company's share capital at 31 December 2013 amounted to SAR 6,000.0 million (2012: SAR 4,000.0 million), consisting of 600 million (2012: 400 million) fully paid and issued shares of SAR 10 each.

14. Perpetual Sukuk

	2013 SAR '000	2012 SAR '000
Perpetual Sukuk	1,700,000	-

On 24 Dhul Qadah 1434 A.H. (30 September 2013), the Company issued its first Perpetual Sukuk - Series I amounting to SAR 1,700.0 million at a par value of SAR 1 million each without discount or premium, bearing a return based on SIBOR plus a pre-determined margin.

The Company may redeem the Perpetual Sukuk, in full or in part, at its own discretion and may defer, in full or in part, payment of any profit distribution at its own discretion. The Company is not subject to any limitation on the number of times that it may defer such payment at its own discretion and such deferral is not considered as an event of default.

The Perpetual Sukuk rank in priority to all subordinated obligations and the ordinary share capital of the Company. These Sukuk do not carry the right to vote, however each sukukholder participates in the Sukuk Assets.

The terms of the Sukuk entitle the Company 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 Transaction, together with any amounts standing to the credit of the Sukuk account and the Reserve retained by the Company from the Sukuk account.

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15. Employee Stock Participation Program

The Company is offering 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 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 Arabian (Tadawul) stock exchange.

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.

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 first tranche was granted in Dhul Qadah 1432 A.H. (October 2011). The number of Restricted Shares shall not exceed 2,869,565 shares.

The second tranche was granted in Rajab 1434 A.H. (June 2013). The number of Restricted Shares shall not exceed 1,237,500 shares.

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

	2013	2012
Employee Share Option Plan		
Outstanding at 1 January	2,741,740	2,767,825
Granted during the year	1,008,000	-
Forfeited during the year	(289,750)	(26,085)
Outstanding at 31 December	3,459,990	2,741,740

The fair value per Options, 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, was SAR 13.5 for first tranche and SAR 23.9 for second tranche. The following table lists the inputs to the model:

	First tranche	Second tranche
Dividend Yield (%)	2.50%	1.50%
Expected Volatility (%)	20.95%	17.97%
Risk Free Interest Rate (%)	5.00%	5.00%
Contractual Life of Share Options (Years)	2.42	2.75
Weighted Average Share Price (SAR) at Grant Date	89.50	83.25
Exercise Price (SAR) at Grant Date	88.25	64.84

The exercise price, after taking account of bonus shares issued, for first tranche and second tranche is SAR 33.83 and SAR 43.23 respectively.

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.

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16. Segmental Reporting

(a) 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 2013 and 2012 and for the years then ended categorized by these business segments, are as follows:

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Arable and Horticulture SAR '000	Other Activities SAR '000	Total SAR '000
31 December 2013						
Sales	8,868,185	1,445,116	792,332	430,602	4,501	11,540,736
Third Party Sales	8,835,807	1,445,116	792,332	141,426	4,501	11,219,182
Depreciation	(930,050)	(136,709)	(174,578)	(71,196)	(18,087)	(1,330,620)
Share of Results of Associates and Joint Ventures	-	-	(637)	(1,726)	(27,604)	(29,967)
Income / (loss) before Non Controlling Interest	1,705,444	139,387	(338,626)	68,074	(73,907)	1,500,372
Share of Net Assets in Associates and Joint Ventures	204	-	33,883	203,950	13,335	251,372
Additions to Non - Current Assets	2,089,622	172,073	1,074,861	239,991	33,004	3,609,551
Non-Current Assets	9,029,306	1,797,191	4,503,283	1,591,155	1,010,790	17,931,725
Total Assets	13,398,859	2,035,137	4,993,868	1,825,909	1,026,197	23,279,970
31 December 2012						
Sales	7,988,323	1,290,645	504,350	386,032	83	10,169,433
Third Party Sales	7,972,603	1,290,645	504,350	115,315	83	9,882,996
Depreciation	(832,798)	(114,150)	(50,340)	(68,408)	(1)	(1,065,697)
Share of Results of Associates and Joint Ventures	(6,740)	-	4,297	-	(22,140)	(24,583)
Income / (loss) before Non Controlling Interest	1,436,526	107,065	(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	8,184,109	1,786,702	3,559,923	1,433,157	993,734	15,957,625
Total Assets	11,046,965	2,002,503	3,728,592	1,736,202	1,004,386	19,518,648

(b) The business activities and operating assets of the Group are mainly concentrated in GCC countries, and selected financial information as at 31 December 2013 and 2012 and for the years then ended, categorized by these geographic segments are as follows:

	2013 SAR,000	2012 SAR,000
Sales		
Saudi Arabia	7,276,782	6,650,596
Other GCC Countries	2,874,201	2,575,357
Other Countries	1,068,199	657,043
Total	11,219,182	9,882,996

	2013 SAR,000	2012 SAR,000
Non - Current Assets		
Saudi Arabia	16,074,769	14,053,017
Other GCC Countries	329,810	300,535
Other Countries	1,527,146	1,604,073
Total	17,931,725	15,957,625

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17. Cost Of Sales

	2013 SAR '000	2012 SAR '000
Direct Material Costs	4,995,390	4,403,588
Government Grants	(250,968)	(124,388)
Employee Costs	894,881	725,392
Share Based Payment Expense	4,282	3,024
Depreciation of Property, Plant and Equipment	933,099	728,881
Depreciation of Biological Assets	177,154	140,836
Appreciation of Biological Assets	(393,118)	(351,544)
Loss on Sale of Biological Assets	46,962	46,758
Other Expenses	859,654	799,372
Total	7,267,336	6,371,919

18. Selling And Distribution Expenses

	2013 SAR,000	2012 SAR,000
Employee Costs	901,183	756,460
Share Based Payment Expense	2,444	1,902
Marketing Expenses	552,871	487,159
Depreciation of Property, Plant and Equipment	181,364	164,362
Other Expenses	232,604	206,866
Total	1,870,466	1,616,749

19. General And Administration Expenses

	2013 SAR,000	2012 SAR,000
Employee Costs	306,394	287,979
Share Based Payment Expense	1,806	1,301
Depreciation of Property, Plant and Equipment	39,003	31,618
Profit on Sale of Property, Plant and Equipment	(9,926)	(77,122)
Other Expenses	(52,503)	(22,374)
Total	284,774	221,402

20. Zakat And Foreign 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 both 2013 and 2012, the Zakat charge is based on the net adjusted income. Foreign Income Tax in each jurisdiction is calculated as per applicable tax regulations.

	2013 SAR '000	2012 SAR '000
Zakat Charge	32,994	44,067
Income Tax Charge for Foreign Subsidiaries	5,073	6,879
Deferred Tax Charge for Foreign Subsidiaries	3,918	-
Charged to Consolidated Statement of Income	41,985	50,946

B. Zakat Provision

	2013 SAR,000	2012 SAR,000
Balance at 1 January	67,699	61,517
Charged to Consolidated Statement of Income	32,994	44,067
Payments	(34,141)	(37,885)
Balance at 31 December	66,552	67,699

The Company has filed its Consolidated Zakat returns for all the years up to 2012 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 2012 Zakat returns are 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 under review by the DZIT. From 2009 onwards HADCO is not required to file a return as its results are included in the Company's Consolidated Zakat returns.

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C. Foreign Income Tax Provision

	2013 SAR '000	2012 SAR '000
Balance at 1 January	4,539	4,375
Charged to Consolidated Statement of Income	5,073	6,879
Payments	(2,865)	(6,728)
On acquisition of subsidiaries	-	13
Balance at 31 December	6,747	4,539

Foreign Subsidiaries have filed their tax returns for all years up to 2012, and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2007, and the latest year assessed is 2011.

21. Earnings Per Share

Basic Earnings per Share ("EPS") is calculated by dividing income from main operations and net income, attributable to shareholders for the year by the weighted average number of issued shares of 596.2 million and 597.1 million at 31 December 2013 and 31 December 2012 respectively.

Diluted Earnings per Share is calculated by dividing income from main operations and net income, attributable to shareholders for the year by 600.0 million shares which represent the weighted average number of issued shares at 31 December 2013 and 31 December 2012 including treasury shares.

In both cases the weighted average number of shares has been retrospectively adjusted for the prior year to reflect the effect of the bonus share issue.

22. Depreciation And Disposal Of Assets

A. Depreciation

	2013 SAR '000	2012 SAR '000
Property, Plant and Equipment		
Depreciation of Property, Plant and Equipment	1,153,466	924,861
Biological Assets		
Depreciation of Biological Assets	177,154	140,836
Appreciation of Biological Assets	(393,118)	(351,544)
Net Biological Assets Appreciation	(215,964)	(210,708)
Total	937,502	714,153

B. (Profit) / Loss on the Sale of Assets

	2013 SAR,000	2012 SAR,000
Property, Plant & Equipment		
Proceeds from the Sale of Property, Plant and Equipment	(44,682)	(98,144)
Net Book Value of Property, Plant and Equipment Sold	34,756	21,022
Profit on Sale of Property, Plant and Equipment	(9,926)	(77,122)
Biological Assets		
Proceeds from Sale of Biological Assets	(157,308)	(147,599)
Net Book Value of Biological Assets Sold	204,270	194,357
Loss on Sale of Biological Assets	46,962	46,758
Total	37,036	(30,364)

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23. Financial Risk Management Objectives And Policies

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade and other receivables, derivative financial instruments, investments in securities, loans, trade and other payables and other liabilities.

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), other banking facilities and Sukuk amounting to SAR 8,431.3 million at 31 December 2013 (2012: SAR 7,678.2 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 direct impact on the Company's equity.

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR '000
2013	SAR	+30	(25,294)
	SAR	- 30	25,294
2012	SAR	+30	(23,035)
	SAR	- 30	23,035

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 Britain Pounds. Other transactions in foreign currencies are not material.

The outstanding foreign currency forward purchase agreements were as follows:

	2013 SAR '000	2012 SAR '000
United States Dollar	2,683,125	734,699
Euro	1,197,665	1,002,025
Great Britain Pound	48,204	115,640
Other	108,349	46,058
Total	4,037,343	1,901,422

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 shows 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'000	Effect on income for the year SAR'000
2013	+ 10%	(11,638)
	- 10%	11,638
2012	+ 10%	(15,753)
	- 10%	15,753

Commodity Price Risk is the risk that is associated with changes in prices to certain commodities that the Group is exposed to and its unfavorable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

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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 receivables 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 26% of outstanding trade receivables at 31 December 2013 (2012: 27%).

With respect to credit risk arising from other financial assets of the Group comprising of cash and cash equivalents, investments in securities, 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 banking and other credit 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 2013 were 22 days (2012: 22 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2013 were 67 days (2012: 67 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 2013, the Group had various financial derivatives that were designated as cash flow hedges to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy derivative instruments are not used for trading or speculative purposes.

At 31 December 2013 the Group had 22 commission rate swap agreements in place covering a total notional amount of SAR 3,300.0 million. At 31 December 2012 the Group had 19 commission rate swap agreements in place covering a total notional amount of SAR 1,450.0 million and USD 210.0 million. Ten new commission rate swaps in either SAR or USD were taken in 2013 for notional of SAR 1,850.0 Million.

The swaps result in the Group receiving floating SIBOR or LIBOR rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

The Group entered into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group entered in to various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the consolidated balance sheet at fair value. All cash flow hedges are considered highly effective. The net decrease in fair value of SAR 0.9 million (2012: net increase of SAR 28.2 million) was recognised in Other Reserves within equity.

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25. Commitments And Contingencies

A. The contingent liabilities against letters of credit are SAR 160.6 million at 31 December 2013 (2012: SAR 233.2 million).

B. The contingent liabilities against letters of guarantee are SAR 1,065.0 million at 31 December 2013 (2012: SAR 381.1 million).

C. The Company had capital commitments amounting to SAR 1,747.8 million at 31 December 2013 in respect of ongoing projects (2012: SAR 1,699.1 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and IT equipments.

D. Commitments under operating leases expire as follows:

	2013 SR,000	2012 SR,000
Within one year	89,048	91,635
Two to five years	96,770	67,217
After five years	67,329	22,821
Total	253,147	181,673

26. Directors Remuneration

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2013 amounted to SAR 6.6 million (2012: 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 2013 and 31 December 2012 along with their balances:

Nature of Transaction	Amount SAR '000	Balance at 31 December SAR '000
2013		
Sales	(426,940)	79,375
Purchases	335,374	(45,445)
2012		
Sales	(406,691)	72,736
Purchases	344,568	(38,465)

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

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28. Dividends Approved And Paid

On 22 Jamad Awal 1434 A.H. (2 April 2013) the Extraordinary General Assembly Meeting approved a dividend of SAR 500.0 million (SAR 1.25 per share based on 400 million shares) for the year ended 31 December 2012, which was paid on 30 Jamad Awal 1434 A.H. (10 April 2013).

29. Dividends Proposed

The Board of Directors proposes for approval at the General Assembly Meeting a dividend for the year ended 31 December 2013 of SAR 600.0 million (SAR 1.00 per share based on 600 million shares).

30. Subsequent Events

In the opinion of the Management, there have been no significant subsequent events since the year end except for the event mentioned below.

On 7 Rabi Al-Awal 1435 A.H. (8 January 2014), the Company has received regulatory approvals with respect to the acquisition of shares in IPNC held by Mead Johnson (Refer Note 1) as a result of which IPNC has become a wholly owned subsidiary of the Group subsequent to the approval date. Consequently, the Company will consolidate IPNC in the next financial year.

31. Approval Of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 17 Rabi Al-Awal 1435 A.H. (19 January 2014).

Quality you can trust



Almarai Company
P.O. Box 8524 Riyadh 11492
The Kingdom of Saudi Arabia
Tel : +966 (1) 470 0005
Fax : +966 (1) 470 1555

www.almarai.com