



المراعي
Almarai

Quality you can trust

ANNUAL REPORT 2014

Almarai's commitment to quality remains the
cornerstone of its corporate strategy

Key Financial Highlights

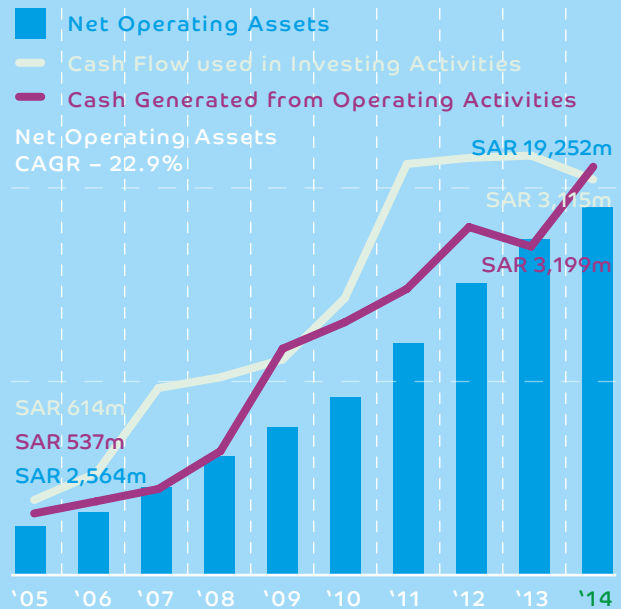
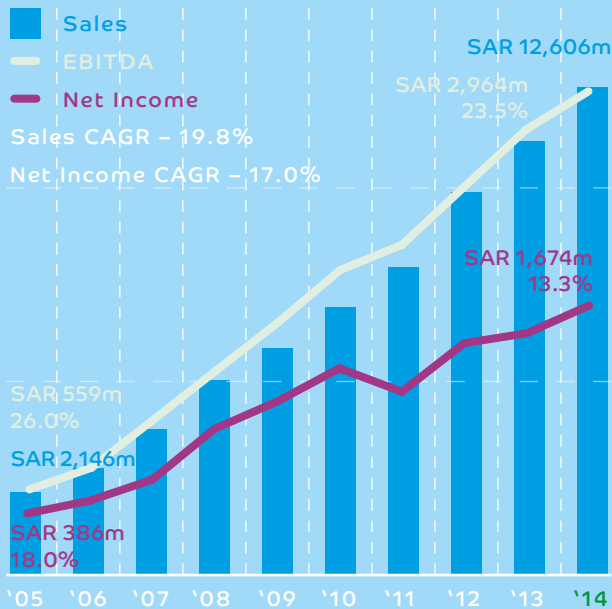
(SAR Million)

Year Ended 31 December

	2014	2013	2012	2011	2010
OPERATIONAL PERFORMANCE					
Sales	12,606	11,219	9,883	7,951	6,931
Gross Profit	4,535	3,952	3,511	2,997	2,736
Selling and Distribution Expenses	(2,246)	(1,870)	(1,617)	(1,213)	(1,046)
General and Administration Expenses	(339)	(285)	(221)	(266)	(230)
Share of Results of Associates and Joint Ventures	(8)	(30)	(25)	(42)	(6)
Financing Charges	(208)	(224)	(157)	(135)	(121)
Income from Main Operations	1,755	1,542	1,491	1,180	1,333
Zakat and Foreign Income Tax	(71)	(42)	(51)	(33)	(26)
Minority Interest	(10)	2	1	(7)	(22)
Net Income	1,674	1,502	1,441	1,140	1,285
BALANCE SHEET					
Net Operating Working Capital	2,006	1,535	932	805	660
Property, Plant and Equipment	16,176	15,028	13,416	10,508	7,867
Biological Assets	1,070	992	901	818	770
Net Operating Assets	19,252	17,555	15,249	12,131	9,296
Intangible Assets - Goodwill	1,350	1,310	1,335	821	793
Investments	325	479	244	853	958
Net Working Assets	20,927	19,344	16,829	13,805	11,047
Net Debt	8,762	8,053	8,237	6,653	4,606
Deferred Charges and Derivatives	157	69	17	43	49
Employee Benefits	408	340	287	243	206
Deferred Tax (Net)	84	118	116	88	0
Total Equity	11,631	10,764	8,171	6,778	6,185
Net Capital Employed	21,041	19,344	16,829	13,805	11,047
Total Assets	23,949	23,171	19,519	15,656	12,571
Total Liabilities	12,318	12,407	11,348	8,879	6,386
CASH FLOW					
Cash Flow from operating Activities	3,199	2,586	2,736	2,261	2,293
Capex	2,740	2,799	3,138	3,035	2,230
Cash Flow used in Investing Activities	3,115	3,302	3,284	3,237	2,189
Dividend Paid	598	499	512	516	455
KEY INDICATORS					
Return on Sales	13.3%	13.4%	14.6%	14.3%	18.5%
EBITDA to Sales	23.5%	24.4%	24.2%	25.6%	27.1%
EBIT to Sales	15.5%	16.0%	16.9%	19.0%	21.1%
Return on Shareholders Equity	19.0%	18.8%	20.2%	17.7%	22.3%
Return on Total Equity	15.0%	15.8%	19.3%	17.7%	22.6%
Return on Net Operating Assets	10.7%	11.0%	12.2%	14.2%	17.1%
Net Debt to Equity Ratio	75.3%	74.8%	100.8%	98.2%	74.5%
Current Ratio	121.5%	143.8%	96.8%	91.8%	115.0%
Revenue Growth Rate	12.4%	13.5%	24.3%	14.7%	18.1%
Dividend Proposed	600	600	500	518	518
Dividends Payout Ratio	35.8%	39.9%	34.7%	45.5%	40.3%
Shares Issued (in millions)	600	600	400	230	230
Diluted Earnings per Share (SAR)*	2.70	2.48	2.40	1.90	2.14

*Based on 600 million shares

Overall Business Development



Employee headcount

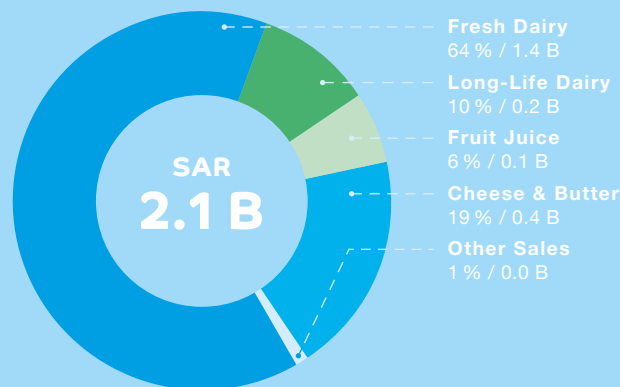
10 years
 5,685 (2005) → 38,300 (2014)

Sales increase from 2005 to 2014

587%

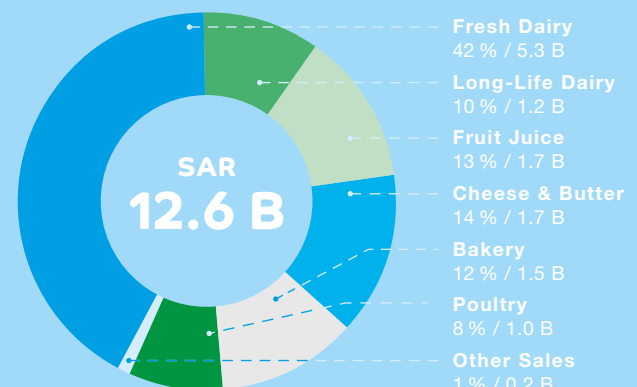
Ten Year Sales Analysis

Product Diversification 2005



Ten Year Sales Analysis

Product Diversification 2014



Strategic Overview

The company's mission is to provide high quality and nutritious food and beverage products that enrich our consumers' lives every day. Almarai is the consumer's preferred choice in the Arab World by providing superior products that best meet the market's specific needs. Almarai achieves superiority by leveraging consumer insights, its brands and by a commitment to quality in all its products and services.

Almarai is focused on continued improvement and growth along this strategic path. This focus applies to the Company's product categories (Dairy, Juices, Bakery, Poultry and Infant formula), entering new product categories, and to its geographic expansion outside the Kingdom of Saudi Arabia, across the other Gulf Cooperation Countries, Egypt and Jordan.

The implementation of Almarai's strategic plan in 2014 saw an accelerated growth in sales powered by the Dairy, Juice and Poultry product categories and by the Company's joint venture sales of International Dairy and Juice (IDJ), in Egypt and Jordan. This strategic plan aims at maintaining our margin growth at each category level in all geographies, by leveraging innovation and

renovation capabilities and achieving economies of scale that result in lower overhead growth. This will generate stronger cash flow and improve working capital management to finance capital expenditures at the declared strategic levels.

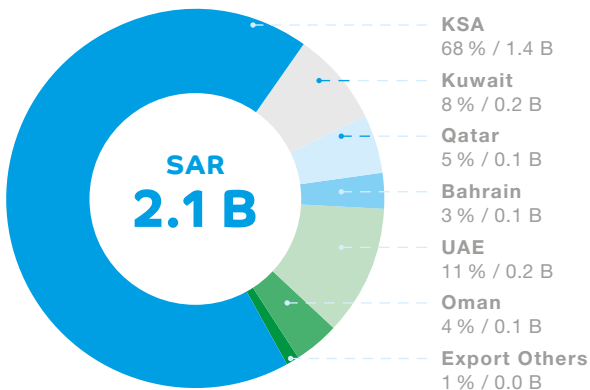
Geographic expansion in the last ten years has reduced the reliance of sales in the Saudi market, while product diversification has reduced reliance on the Dairy category.

The main key enablers for Almarai's strategic plan include:

- Consumer insights
- Innovation & renovation
- Selective vertical integration
- A best-in-class supply chain

Ten Year Sales Analysis

Geographic Expansion 2005



Ten Year Sales Analysis

Geographic Expansion 2014

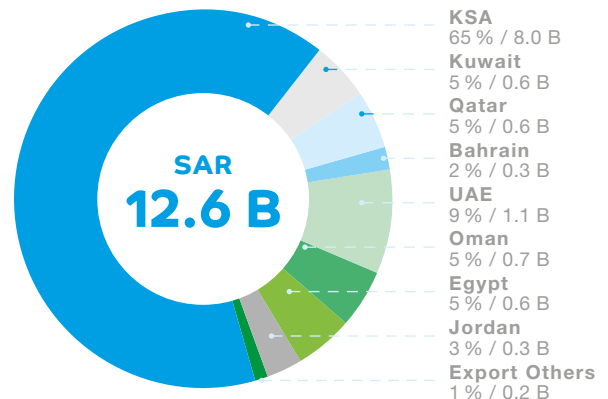


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Company Profile

Founded in 1977, Almarai Company is the world's largest vertically integrated dairy company and the region's largest food and beverage manufacturing and distribution company. Headquartered in Riyadh, Almarai Company is ranked as the number one FMCG Brand in the MENA region and is market leader in most of its categories across the GCC.

After more than 38 years of sustainable growth, Almarai Company continues to provide nutritious and healthy products to consumers of all ages, with growth stemming from our bedrock principle, "Quality you can trust".

Almarai Activities

In addition to its high-quality dairy products, Almarai Company has diversified its portfolio to include juices, bakery, poultry and infant formula under the brand names Almarai, L'Usine, 7 Days, Alyoum and Almarai Nuralac.

Almarai Company has successfully managed its joint ventures IDJ and Modern Foods Industries (MFI) as success levers for its development strategy.

Almarai consists of

1. Dairy Farming, Arable Farming and Poultry Farming in Al Kharj, Hail, Jordan, Argentina and the United States
2. Manufacturing in the Kingdom of Saudi Arabia (Al Kharj, Jeddah, Hail), Jordan and Egypt
3. Transport & Logistics located in Al Kharj, Jeddah, Hail, Jordan and Egypt
4. Sales depots located throughout the GCC, Jordan and Egypt
5. Head office functions in Riyadh (for Capital Projects, Central Procurement, Corporate Communications, Finance & Information Systems, Human Resources & Support Services, Marketing and Quality & Product Development)

Today, Almarai's paid-up share capital amounts to SAR 6.0 billion, consisting of 600 million fully paid and issued shares of SAR 10.00 each. Almarai's available and tradable shares by the end of 2014 amounted to 203 million shares approximately, representing 33.8% of its total available shares. As at 31st December 2014, Almarai's market capitalisation was SAR 46.0 billion. ■

Vision, Mission & Values

Vision

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

Mission

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

Values

Adaptable
Sharing
Passionate
Innovation
Respect
Excellence

History

1977

Almarai's first corporate logo



HH Prince Sultan bin Mohammed bin Saud Al Kabeer recognises the opportunity to transform Saudi Arabia's traditional dairy farming industry. Under his guidance and patronage, numerous agricultural projects were launched to achieve his vision – starting with the production of fresh milk and laban

1990

Almarai enters a period of restructuring and reinvestment to develop a centralised structure. The dairy company replaces five decentralized processing plants with its first central processing plant. It also replaces ten small decentralised dairy farms with four large dairy farms in Al Kharj

2008

Operations and Farming achieve ISO 22000 certification

2007

- Almarai acquires Western Bakeries, and in so doing enters the Bakery segment for the first time achieving another milestone in its business diversification strategy
- Almarai enters a joint venture with Chipita and Olayan forming Modern Food Industries

2009

- Almarai acquires Hail Agricultural Development Company – HADCO to enter the poultry segment
- Almarai invests in a world-class production facility and launches a new premium poultry brand called Alyoum
- Almarai establishes IDJ, a 48:52 joint venture with PepsiCo targeting the wider Arab world for Dairy & Juice markets outside the GCC
- Almarai establishes IPNC, a 50:50 joint venture with Mead Johnson, facilitating entry into the infant nutrition market
- Number of Almarai customers exceeds 48,000 within the GCC

2014

- Almarai purchases Mead Johnson's 50% stake in IPNC and launches new infant formula proprietary brands, Nuralac and Nuralac Plus
- Completes the strategic investment process in the poultry segment
- Almarai purchases agricultural land in the state of Arizona in the United States through its subsidiary Fondomonte Arizona L.L.C. owned 100% by Almarai
- IDJ makes a strategic investment plan to further expand in the Egyptian market
- Almarai unifies quality standards across all business divisions
- Transport & Logistics achieves ISO 22000 certification
- Almarai Group achieves ISO 22000

1996

Operations achieves ISO 9001 certification

1997

Farming achieves ISO 9001 certification

2006

Number of dairy distribution routes exceeds 1,000

2005

- Almarai moves from private ownership to being publicly listed on the Saudi stock exchange putting up to 30% of Almarai shares of SAR 750 million for Public Offering. Almarai is listed on the Saudi Stock Exchange and starts its Stock Trading on Wednesday 17/08/2005 within the Agriculture & Food Processing Sector, Code 2280
- Number of Almarai customers exceeds 30,000

2010

Almarai launches iconic new logo



- Almarai makes a strategic investment to expand its ability to raise productivity in the poultry segment
- Daily average milk yield per Almarai cow exceeds 40 litres
- Sales achieves ISO 9001 certification
- IPNC launches new infant formula, Almarai Enfamil and Almarai Enfagrow

2011

- Almarai broadens the vertical integration of its animal feed supply through its acquisition of Fondomonte in Argentina, which expands arable farm land to almost 32,000 hectares
- Market capitalisation exceeds SAR 23 billion
- Poultry achieves ISO 22000 certification

2013

- Almarai further broadens its vertical integration through investment in a 33% stake in United Farmers Holding Company (UFHC), which acquired Continental Farmers Group PLC. Continental Farmers operates farms in both Poland and Ukraine
- Almarai announces that the partial commercial commissioning of farming facilities as well as the first two, of three planned, poultry production lines, have effectively started production
- Central Procurement Department (CPD) achieves ISO 9001 certification

2012

- IPNC starts local production of infant formula in Saudi Arabia
- Almarai acquires majority stake in IDJ, increasing its share in the business from 48% to 52% - starts to consolidate its financial statements fully
- Almarai's poultry business completes major expansion of its manufacturing plant
- IPNC achieves ISO 22000 certification

A year of continued growth and commitment to all stakeholders



On behalf of the Board of Directors, I am delighted to present Almarai Company's Annual Report, covering the year ending 31 December 2014. This year Almarai maintained leadership in its core categories and markets. Strong growth was achieved in poultry and in Egypt.

The economic environment

Consumer confidence remained strong in 2014 thanks to the steady rise in regional GDP and access to credit. Commodity prices started a downward trend. While the recent dip in oil prices could apply pressure in all oil producing countries, the Gulf economies continue to grow and remain buoyant.

Inflationary pressures in Argentina and instability in Ukraine created challenges within their respective economies, but Almarai's integrated feed stocks procurement model was not significantly affected.

With the blessings of Almighty Allah, 2014 was another record year. Sales increased by 12.4% to SAR 12,605.6 million (2013: SAR 11,219.2 million), yielding a Net Operating Income increase of 8.5% to SAR 1,950.1 million (2013: SAR 1,796.6 million). Overall performance was strong, in line with expectations.

Conserving water

Further progress was made towards our goal of importing all agricultural feed requirements. Employing rigorous quality control, more animal feed comes from the Company's own controlled facilities in the USA, South America and from third party imports that

meet the Company's quality requirements. Almarai increased the amount of overseas arable land it manages, directly and indirectly, to approximately 68,000 hectares (680km²). This contributes to Almarai's strategy for conservation of the Kingdom's water resources.

Strategically managing our joint ventures

Almarai's Joint Venture, International Dairy and Juice Limited (IDJ), saw continued growth. Almarai and PepsiCo, the IDJ partners, agreed a strategic investment plan in spring 2014 to expand the IDJ Egyptian subsidiary, Beyti. Beyti sales increased by 35.0%YOY and Beyti reached a positive operating profitability for the first time.

During the first quarter Almarai took full control of International Paediatric Nutrition Company (IPNC), previously a Joint Venture with Mead Johnson Nutrition. This provides the Company with a strong platform from which to grow its infant nutrition business across the GCC and North Africa. The Company launched its own proprietary brands, Nuralac and Nuralac Plus.

MFI, Almarai's Joint Venture in the bakery segment, registered strong profit growth, leveraging past investments in this product category.

Continuously managing risk

Two of the Company's Western Bakeries' plants caught fire on 9th October, causing structural and operational damage. With the blessings of Almighty Allah, no injuries were sustained. The management team worked with local authorities throughout the investigation and are grateful to the Civil Defence Unit, which rapidly deployed to the site.

The fact that there were no injuries is testament to the Company's well established HSE (Health Safety Environment) measures.

Through its existing insurance policies, Almarai will be fully covered for all damages. All efforts are currently

being made to provide consumers with the full range of quality bakery products at pre-incident market levels.

Corporate governance

In September the Board announced the resignation, for personal reasons, of non-Executive Director Dr. Abdulraouf bin Mohammed Manna. The board thanks Dr. Manna for his continuous wisdom and visionary contribution during his tenure.

HE Engr. Abdullah bin Mohammed Noor Rihaimi, who currently sits on the Board of Savola Group, joined the Almarai Board as a non-executive Board Member in September. HE Engr. Rihaimi has held many senior leadership positions, most notably as Chairman of the General Authority for Civil Aviation.

The Board continued to perform its duties throughout 2014, ensuring that the Company's operations are run in accordance with its corporate governance protocols. The performance of the Board of Directors has been instrumental in Almarai's strategic direction, investments and growth.

Investing for the long-term

Investments totalling SAR 2,820.2 million were focused on enhancing local manufacturing, supply-chain capabilities and cost-efficiencies. This clearly demonstrates Almarai's vision and reflects confidence in future success. These investments will support local business communities and our unwavering commitment to operating ethically and sustainably.

Valuing investors & shareholders

Total market capitalisation reached SAR 46,032 million as of 31 December 2014, an increase of 45.4% from 31 December 2013. Almarai's share price reached SAR 76.72 on 31 December 2014, outpacing the market index. The Total Shareholders Return (TSR) of Almarai shares since its first day of listing has reached 21% per annum. This appreciation has been supported across a stable investor base with corporate and individual shareholders equally represented.

The Almarai Board recommends a Dividend of SAR 600.0 million or SAR 1.00 per share, representing 35.8% of the Consolidated Net Profits achieved during 2014.

Strategic pathway for 2015

The Company's aims for 2015 are to deliver sustainable, profitable performance in key sectors and to focus on

further developing poultry, which is expected to reach positive cash generation on a full year basis. The infant nutrition business is also expected to perform well. This growth will, as ever, be supported by a commitment to quality.

We will continue growing the business outside the GCC. The Company plans to expand its policies on good governance, Internal Audit, sustainability and health & safety to ensure that it continues to act as a standard-bearer for good business practices.

This annual report, in conjunction with the Annual Consolidated Financial statements and Auditors' report will provide you with a comprehensive review of Almarai's operating and financial performance for the year 2014. This report has been established according to the presentations and disclosures of Almarai, without the prejudice of any of Almarai's interested stakeholders.

On 29th January 2015 our CEO, HE Engr. Abdul Rahman bin Abdul Mohsen Al-Fadley, was nominated as the new Minister for Agriculture and resigned from his position. As Chairman of the Board I would like to express my personal recognition, along with that of all Board Members, to HE Engr. Al-Fadley for his exceptional contribution and wise leadership over the last 15 years. We wish him all the best in his future role.

The Board of Directors, in its meeting on 31st January 2015, nominated Mr. Georges Schorderet as the new Chief Executive Officer. Georges joined Almarai in 2004 as Chief Financial Officer and became Chief Operating Officer in 2011. The Board is confident that Mr. Schorderet will steer the Company forward, and wishes him all the best in his endeavours.

Finally, in addition to the continued support of the government of Saudi Arabia, I would like to thank my fellow Directors, the executive leadership team and all Almarai employees for their outstanding contributions over the past 12 months. And, I thank our Shareholders, who have continued to support Almarai in delivering upon its Mission of providing quality and nutritious food and beverages that enrich our consumers' lives every day. ■

**HH Prince Sultan bin Mohammed
bin Saud Al Kabeer**

Chairman

Almarai's distinct business model continues to deliver sustained profitable growth



Almarai's operations and investments were underpinned by a commitment to social responsibility and sustainable growth. Such investments included securing ingredients and animal feed from outside the local supply chain, expanding the manufacturing footprint and investing in sales and distribution infrastructure, which created local jobs. Almarai implemented a number of new programmes designed to support career development.

Almarai outperformed underlying market growth in all our segments and geographies. The Company will continue managing its operational costs efficiently in order to achieve industry-

The Company continued on its growth trajectory, reporting a solid increase in sales across all product categories and geographical areas. There was significant growth in Net Income. Almarai maintained its strategic focus on delivering high quality products to consumers, leveraging its reliable distribution network.

Group Sales reached SAR 12,605.6 million, a YOY increase of more than 12.4%. EBITDA rose to SAR 2,964.3 million – a rise of 8.4% on 2013. The Company's Net Income increased to SAR 1,674.3 million, a YOY increase of 11.5%. In addition, the Company's Operating Cash Flow reached SAR 3,198.8 million, which represents a YOY increase of 23.7%.

The Company's financial performance surpassed all previous years, with record profitability and a positive free-cash flow for the year.

leading EBITDA and a stronger balance sheet.

Committed to quality

At the heart of Almarai's operations is an unrelenting focus on producing high quality food products across every segment. Quality includes rigorous health and safety standards, world-class processing facilities and fresh, natural ingredients sourced from leading local, regional and international suppliers.

Almarai now has more than 100 active sales and distribution sites across the Middle East. With one of the largest distribution fleets in the region, Almarai continues to service its distribution centres on a daily basis, supplying almost 100,000 retail outlets across the GCC, Jordan and Egypt. The expansion of Almarai's supply chain and processing facilities enables it to work more closely with suppliers ensuring all stages of the supply chain adhere to

the highest standards of care. Delivering quality in a sustainable manner has enabled the Company to grow market share across all segments, add value to local markets and increase shareholder value.

Almarai announced its expansion plan in Egypt via International Dairy and Juice Limited (IDJ), its joint venture with PepsiCo. IDJ aims to expand the current Juice and Yoghurt plants of Beyti, its subsidiary in Egypt, as well as its distribution facilities. To further improve milk quality, IDJ announced plans to invest in dairy farming in Egypt.

After 100% acquisition of the infant nutrition Joint Venture, IPNC, in the first quarter, the business was successfully integrated into Almarai. With the launch of Nuralac and Nuralac Plus, its own infant nutrition brand, Almarai will make gains in this market segment in 2015.

Committed to innovation for consumers

Innovation is at the core of the Almarai's strategy. Consumers continue to benefit from high quality food and beverages produced by a respected and trusted company. Almarai recognises the growing demand for healthier food and nutritious products. This underpinned much of the Company's product innovation in the Health and Wellness sector. A large number of new products were launched in 2014, and Almarai witnessed particularly significant improvement in the performance of its poultry business. In addition, a number of new products were designed and launched for the younger age group - an increasingly significant proportion of the region's demographic.

Committed to sustainability

Almarai has an environmental responsibility where resources, including water, are increasingly scarce. The Company's commitment to protecting the natural environment is evidenced by its use of leading edge technology and processes throughout the supply chain.

Almarai moved towards its long term target of importing 100% of all animal feed. The Company acquired approximately 4,000 hectares in Arizona and by the end of the year had already begun importing alfalfa from this farm. Further expansion in the USA and other regions suitable for growing high quality alfalfa will take place in 2015. Superior quality animal feed is vital for a high yielding dairy herd, which during 2014 exceeded the previous benchmark of 40 litres per cow per day.

Committed to developing local talent

During the year Almarai significantly enhanced its career development programmes in order to provide talented local employees with a stimulating and progressive training environment. The Company's career development philosophy is that all individuals will be able to realise their full potential if they are given the opportunity to learn new skills and are provided with adequate training. These programmes are of great benefit to existing employees and also act as a magnet to other Saudi nationals seeking strong career paths. The Company's Dairy & Food Polytechnic, a joint project with the Technical and Vocational Training Corporation, and the Almarai Sales Academy are two educational programmes that have been set up to attract ambitious Saudi nationals and support the development of existing employees.

Through the Graduate Professional Trainee (GPT) programme, the Company has employed, for on-the-job training and professional development, hundreds of local and talented graduates across all departments. Almarai also established a Long Haul Driving school that provides training to over thirty drivers throughout the year.

Committed to future growth and investment

All of the Company's operations and achievements were supported by a focus on quality, sustainability and meeting consumer demand. Investments are measured against their impact on the local supply-chain, quality standards, health and safety and shareholder value. Almarai has proved itself to be successful and resilient in 2014, during uncertain economic times. This success is due to the expertise and dedication of the entire Company's workforce and management.

On behalf of the executive leadership team, I thank all employees for their passion, commitment and performance. I would like to put on record my thanks to HE Engr. Abdul Rahman bin Abdul Mohsen Al-Fadley, my predecessor, for his remarkable contribution to the Company's success. He will remain a source of inspiration for me and for Almarai in the future. I am confident that in the coming years the Company will continue to deliver on its promise to all stakeholders and continue its growth trajectory. ■

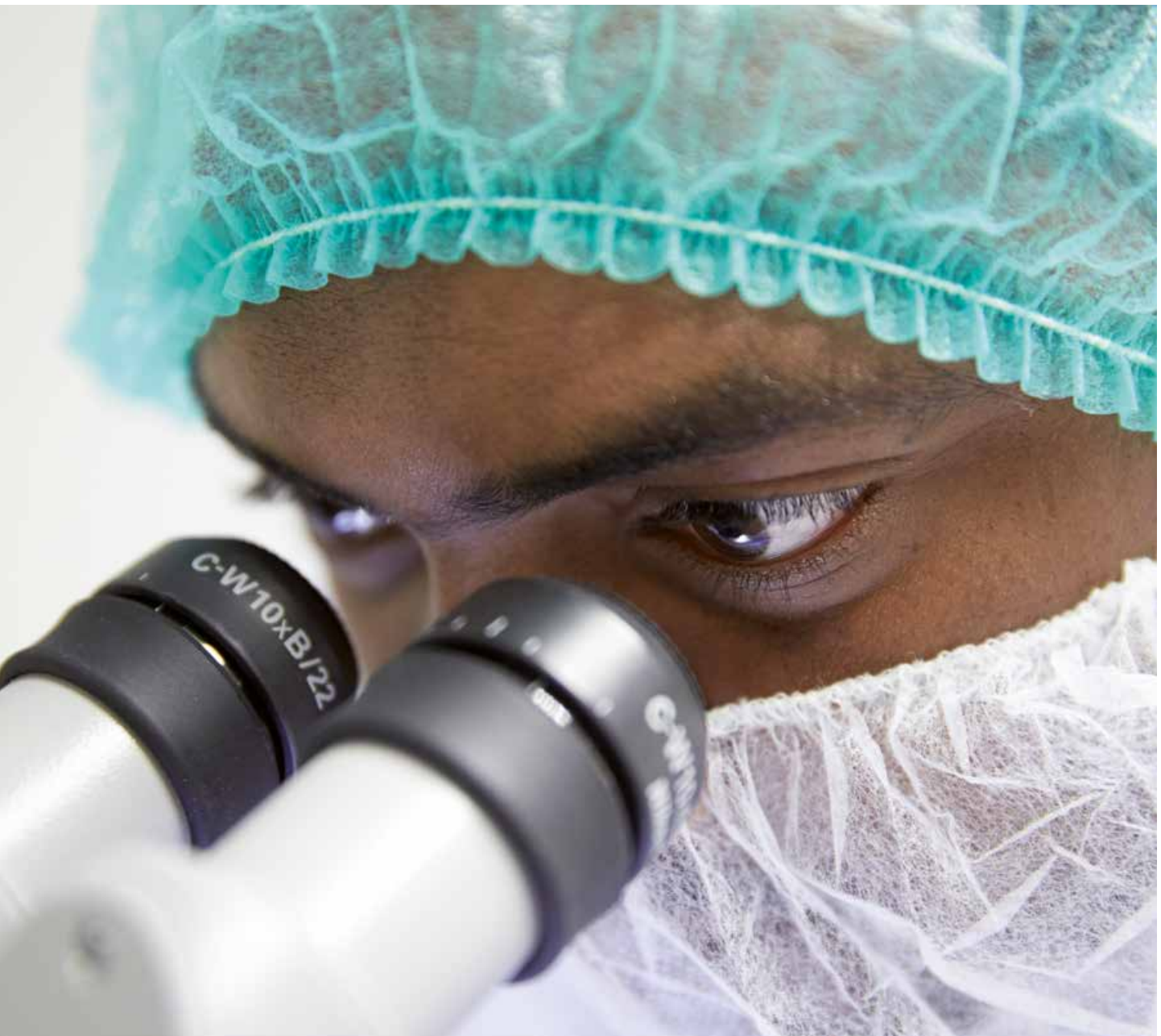
Georges Schorderet

Chief Executive Officer

“Quality you can trust”

Almarai ensures that every single stage of product development undergoes a rigorous process of testing for health, food safety and quality. The Company directly owns most of its supply-chain from feed production and importing through to processing, packaging and distribution. This enables Almarai to

deliver uncompromising quality and innovation with a world-class production, marketing and distribution infrastructure. A commitment to consumer satisfaction is embedded in the company’s strategic ethos which, in turn, delivers the highest standards of excellence and added value for its shareholders. ■



Almarai's unique value chain comprises five essential phases for delivering the highest quality food and beverage products to consumers:



Step 1

Overseas crop cultivation & selection

The focus of all our farming activity is on quality. This means that the best animal feed is required in order to sustain production of top quality dairy and poultry products. The Company's ongoing focus in 2014 was on continuing progress towards 100% importation of animal feed: a crucial step for preserving the Kingdom's water resources.

Part of our forage is grown and harvested on our farms in Argentina (Fondomonte Argentina) and the United States (Fondomonte Arizona). Cargos are shipped from overseas ports to shipping terminals in Saudi Arabia, before transportation to our local dairy and poultry farms. In 2014, Fondomonte Argentina and Fondomonte Arizona supplied

over 75,000 metric tons of grain to our farms in the Kingdom. We are currently developing Fondomonte Arizona to provide a similar volume of alfalfa and we have plans to cultivate alfalfa in Argentina.

As with all Almarai's activities, boldness and attention to detail characterise our overseas farming operations. These operations allow us to secure our own feed supply chain, and to carefully source from third parties. Our arable farms are meticulously controlled and a high level of security and bio-security is maintained at all times. This prevents the possibility of disease, and safeguards the next phase in the value chain. ■



700,000

tons of animal feed is imported to our poultry and dairy farms every year

Step 2

Extraordinary care for farm animals

Almarai's farms look after their livestock to an exceptionally high standard, ensuring maximum yields and quality throughout production. The people who manage and work on our farms operate to the highest standards of animal husbandry. From animal feeds to the training of personnel, we strive to continually improve the quality of our work.

Our dairy farms monitor pregnancy rates and calf births on a minute-by-minute basis, with dedicated teams for calving. From birth, our calves are cared for around-the-clock, while our milking cows have 24-hour access to professional veterinary support. The dairy herd is provided with shaded housing all year round, with air cooling during the summer and showering to keep cows clean for milking.

A healthy cow is a productive cow. An Almarai cow in 2014 delivered 13,452 litres of

milk. Such a high yield from healthy animals can only be achieved by housing that is fit for purpose, superior genetics, dedicated management, a specialised workforce and nutritional excellence – all of which characterise our farming ethos.

Our poultry farms operate to the same exceptionally high standards. The quality of our chickens is achieved through the efficient conversion of highly nutritious feed and the health of our flock. Our chickens are provided with a high quality supply of water, good air control and best-in-class care. All of these factors contribute to the growth and development of our birds and to the uncompromising quality of the end product. ■



200

or more calves are
born on Almarai's farms
every day

Best-in-class manufacturing & processing

Almarai's manufacturing and processing capabilities are exceptional in terms of both technology and capacity. It is the role of our Central Processing Plants (CPPs), bakeries and factories to receive ingredients and materials, and deliver output of the highest quality on a mass scale. Expansion, renovation and improvement of our production facilities is ongoing, as the Company strives constantly to operate to the highest standards of international best practice.

An important part of our work is building capacity to meet ever-increasing demand. This process has been successfully implemented in recent years, boosting output dramatically. To put that output in context: one of our manufacturing lines at Al Kharj is now capable of producing 850 bottles of

juice per minute. A new Almarai bakery is expected to begin production in 2016, with another planned to open the following year. These two facilities will substantially grow our capacity in that category.

Almarai's Nuralac and Nuralac Plus plant for infant nutrition is one of the most advanced in the world today. Our infant nutrition experts work tirelessly to create market-leading products, from the laboratory to processing and packaging.

Efficiency improvement exercises have allowed us to reduce the amount of electricity required by our facilities, decreasing Almarai's carbon footprint. ■

275 km

of pipes run through
Almarai's Central
Processing
Plants in Al Kharj

Step 4

Exceptional transport & logistics capabilities

In terms of the scale of our assets, the miles we cover, and the quantities we deliver, Almarai's Transport and Logistics (T&L) division is larger than any logistics company in the Middle East. The division comprises over 1,300 trucks and 1,400 cold trailers. The farming division runs 600 trucks as well. This wholly-owned logistics operation ensures that products are delivered on time and in perfect condition.

In 2014 alone, our vehicles drove the equivalent of one and a half journeys to the moon daily, carrying over 1.8 billion kilograms

in products around the region. Over 3,000 T&L employees look after transport, warehousing, maintenance and planning. Our logistics team remains committed to improving road safety.

Almarai's slogan, 'Quality you can trust' is at the heart of its logistics operations. It is imperative that our products are delivered to consumers fresh and within a very tight timeframe, and so our attention to detail when it comes to scheduling and temperature control is unrivalled. Our rate of on-time delivery in 2014 was 99% across the GCC. ■



المراعي
Almarai

www.almarai.com

1.8bn

kg is moved every year
by Almarai's Transport
& Logistics Divisions

Step 5

Consumer insights & powerful branding

Almarai has always worked to earn the trust of its consumers. Our sustainability is assured by anticipating growth in consumer demand and establishing an infrastructure to match it. The Almarai brand is a leader in the Kingdom of Saudi Arabia and across the GCC – it is known and loved by millions. Our commitment to quality is at the heart of our status as the Middle East's leading

food and beverage producer. Every day our management and our staff work to ensure that status is maintained and grown.

Our unique value chain monitors and manages quality from start to finish. Consumer insights are continuously gathered to evolve our products and branding, in order to increase levels of customer satisfaction in the future. ■

Products that
enrich the lives of
millions every day.



65

or more new products
are under development
at any given time

What does Sustainability mean to Almarai?

Future growth is dependent on our ability to sustain the natural environment, securing a future for the Company and the communities in which we work.

Environment

Water conservation and sustainable farming methods are central to our strategy for growth. Almarai has made a commitment to importing 100% of its animal feed requirements and heavy investment in our overseas arable farming assets will dramatically reduce reliance on the Kingdom's water supply.

Localisation

Almarai is committed to the training and development of local talent. The Company benefits from working with skilled Saudi nationals who intimately understand the needs of the community. The Company also runs a wide range of training and development programmes to provide long term career opportunities for Saudis, in line with our belief that education is a key driver for social and economic mobility.

Business continuity

Innovation of new products and our ability to break into new categories is essential if our offering is to remain competitive, and meet the demands of our consumers.

The development of markets outside of the GCC is of equal importance for growing our regional footprint, while our farming activities overseas reinforce our high level of vertical integration.

Long-term financial sustainability

Reaching long-term financial sustainability is at the centre of Almarai's group strategy. Our focus is on delivering long-term, sustainable and profitable growth and all activities are measured against this focus. Given our ambitious investment plan, the development of an independent long-term financing plan is of equal importance. Traditionally, Almarai has built strong relationships with local banks, which have provided short- and mid-term financing lines at competitive rates. Over time the Company has expanded its banking network to include reputable international banks, which finance our international expansion plans.

Since 2011, in order to diversify sourcing of funds, Almarai has run a Sukuk programme totaling SAR 4.0 billion. The programme offers several traditional Sukuk financing tranches ranging from 5 to 7 years tenor at investment grade conditions. One of the Sukuk tranches was treated, because of its repayment structure, as an equity-like contribution.

The Company reached a positive cash flow situation for the first time in 2014. In the coming years the group will continue diversification of the sourcing of funds, based on even stronger cash flow generation. ■

A member of the Almarai team inspects →
a recent alfalfa delivery at our Al Kharj
dairy farm, Kingdom of Saudi Arabia



Dairy Liquids

Almarai's dairy segment has been at the core of our business since the foundation of the Company. Almarai remains the largest vertically integrated dairy producer in the world and continues to strengthen and consolidate its position as the GCC's market leader.

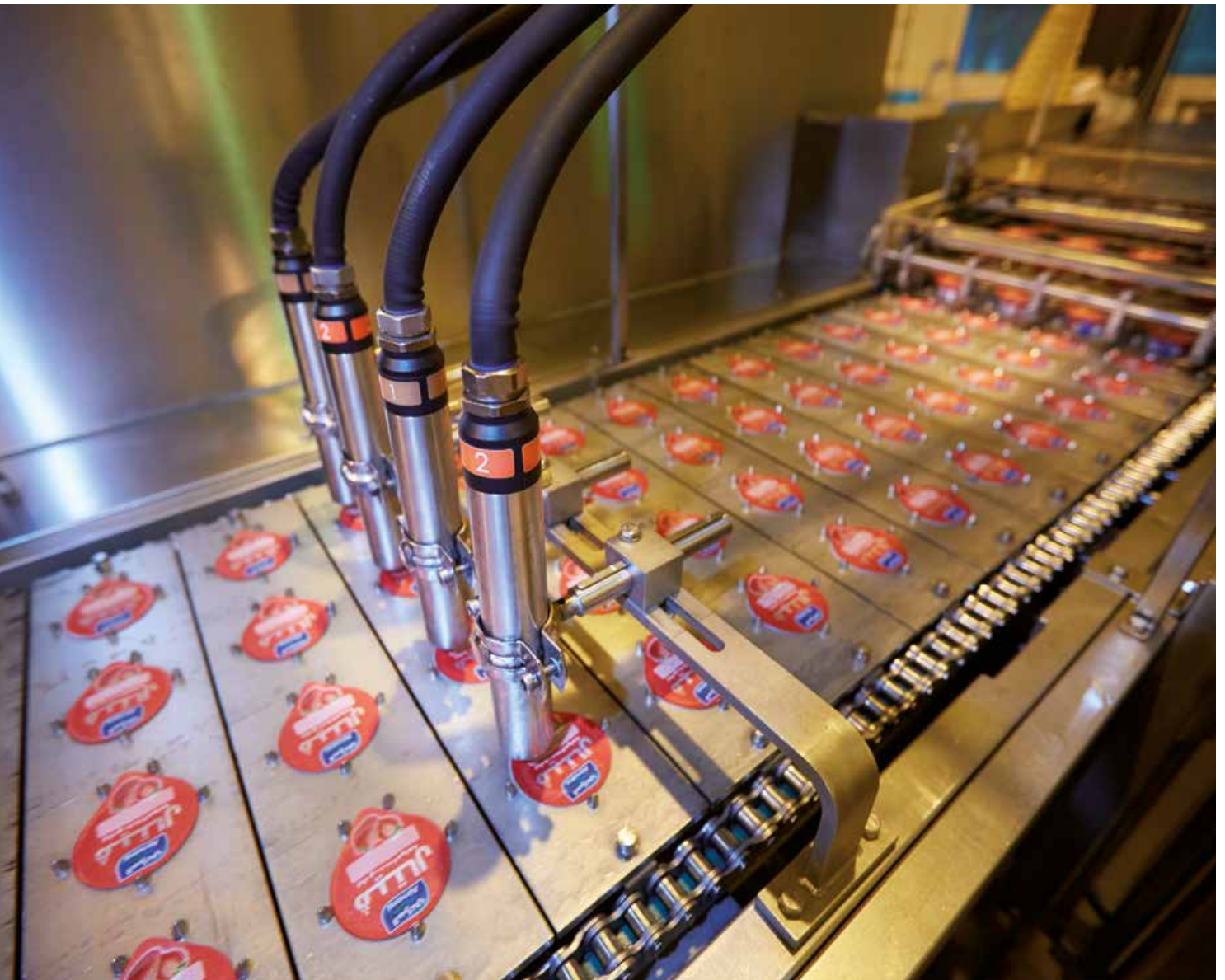
Our fresh dairy products range from milk and laban to flavoured milk and milkshakes. Our long life range includes UHT milk, lacto-free, cream, evaporated milk and whipping cream. ■



Yoghurts & Desserts

Almarai's range of yoghurts and desserts has continued to enjoy growth in 2014, in terms of both sales and product diversity. Our objective has been to deploy the most advanced technology available, in order to enhance efficiency and product quality.

Our yoghurts are manufactured from our own 100% natural, fresh and calcium-rich milk. The range includes zabadi, gishta, flavoured yoghurts and labneh, amongst others. ■



Foods

Our food business leverages Almarai's unrivalled experience in delivering healthy and nutritious products. Our range continues to grow: this is the result of our commitment to constant innovation, and the consistently high quality that has become our hallmark and the consumer's preferred choice. The category

comprises three key segments: processed cheese, natural cheese, and butter & ghee. Our processed cheeses include spreadable, sliced, triangles, square portions and tinned products. Our natural formats include feta, mozzarella and halloumi. ■



Juices

Juices remain one of the most important components in the Almarai product portfolio. Sales in 2014 enjoyed significant growth, thanks to the widening of our product range. This year saw the introduction of a number of popular new flavours, as well as entry

into the children's juice market with the new 'Nijoom' brand. Our joint venture, IDJ, has been extremely important for increased sales of juices beyond the GCC – in Egypt, Jordan and the Levant. ■



Bakery

Almarai has maintained its leadership position in the GCC with two popular bakery brands: L'usine and 7Days. Bakery sales across the region have enjoyed sustained growth as a result of the Company's expanding distribution and continuously developing product range. The L'usine portfolio contains products that fall into the categories of bread,

pastries, cakes and maamoul. L'usine is distributed across the Kingdom and in all GCC countries. The 7Days brand includes sweet treats such as filled croissants, cakes, Swiss rolls and wafers. 7Days products are available to consumers across Saudi Arabia and the GCC. ■



Poultry

The Alyoum brand was introduced to consumers in 2010 and has grown from strength to strength ever since. Our poultry range includes fresh whole chickens, portion packs and value added products such as minced chicken, kebabs, and burgers. Substantial capital expenditure on developing and

improving Almarai's poultry production capabilities in the last few years has boosted Alyoum's rapid growth. New and innovative products are continuously introduced, while Almarai maintains its commitment to delivering the freshest and highest quality chicken to consumers. ■



Infant formula

At the start of 2014 Almarai took full ownership of its infant nutrition business, International Paediatric Nutrition Company (IPNC), which was previously a joint venture with Mead Johnson Nutrition. Until recently IPNC produced the 'Almarai Enfagrow' and 'Almarai Enfamil' ranges of infant formula to the Saudi

market. This year saw the introduction of Almarai's very own 'Nuralac' and 'Nuralac Plus' ranges, which are manufactured at the Company's state-of-the-art formula plant in Al Kharj. Our infant nutrition experts employ leading edge technology to produce advanced infant formula for the Kingdom's mothers. ■





Almarai has a herd
of over
157,000
cows & calves

A team of
160
veterinary
professionals
safeguard the health
of Almarai's cows

Each cow produces
on average
41.2
litres of milk
every day



Almarai has over
73
sales depots
across the GCC

At any given time
there are
1,300
Almarai trucks on the
GCC's roads

Almarai's transportation
fleet makes the equivalent
of over
600
trips to the moon
annually



The Graduate
Professional Trainee
(GPT) program trains
over
200
fresh graduates in
any given year

Almarai's Dairy &
Food Polytechnic
trains over
400
students in a year

المراعي
Almarai

Board of Directors



HH Prince Sultan bin Mohammed bin Saud Al Kabeer

Chairman of the Board

His Highness is the founder of Almarai Company, established in 1977 in the dairy industry. His Highness has investments in Al Yamama Cement Company, established in 1961, Arabian Shield Insurance Company and Al Tayyar Travel Group. He is a founder of the Saudi Yamani Cement Company (Yemen), Faraby Al Khaleej Petrochemical Co., Zain Saudi Telecom, Jousour Holding Company (part of Swicorp), ARASCO, Al Salam Bank (Bahrain), Arcapita Bank (Bahrain), Dana Gas (UAE), Tatweer Construction (Qatar), Ras Al Khaima Petroleum (UAE), IBC Co. (Lebanon), Kuwaiti Chinese Holding Co. (Kuwait), Kuwaiti Sudanese Holding Co. (Kuwait), Kuwaiti Jordanian Holding Co. (Kuwait), the First Education Co. (Kuwait) and the Kingdom Schools Co.

In addition to his role at Almarai, His Highness is Chairman of the Arab Union for Cement & Building Materials Co., the Al Tayyar Travel Group and the Arabian Shield Cooperative Insurance Co. He is Managing Director of Al Yamama Cement Co., and Owner of Nova Al Jazeera Establishment, the Arab Cubs Establishment and the Technical Projects & Contracting Establishment.

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

HH Prince Sultan bin Mohammed bin Saud Al Kabeer holds a Bachelor's degree in Economics and Political Science from King Saud University, Saudi Arabia.



Prince Naif bin Sultan bin Mohammed Al Kabeer

Director

His Highness is Chairman of the Projects and Technical Contracting Co. and the Ashbal Al Arab Corporation. He is also a Board Member of the Faraby Al Khaleej Petrochemical Co., Kuwaiti Chinese Holding Co., the Integrated Transport Co. and Jousour Holding Company (part of Swicorp). His Highness is a Business Administration graduate of King Saud University, Saudi Arabia.



Engr. Nasser bin Mohammed Humoud Al Muttawa

Director

Engr. Al Muttawa is a Member of the Board of Directors of the Al Tayyar Travel Group, the Technical Investments Co. and the Arabian Shield Cooperative Insurance Co. He is an active member, founder and Chairman of the Assembly of Mobility of Disabilities for Adults in addition to thirteen further charities. He has worked in both the public and private sector since 1980. Engr. Al Muttawa holds a Bachelor's degree in Civil Engineering from Marquette University, USA.

**Abdulrahman bin Abdulaziz
Al Muhanna**

Managing Director



Mr. Al Muhanna joined Almarai in 1979 and was appointed Managing Director in 1997. He is a Board-

Member of Arcapita Bank (Bahrain), ARASCO and the Al Jazeera Press, Printing & Publication Company. He is also a member of the National Committee for Biodiversity. Mr. Al Muhanna is an Agricultural Economics graduate of King Saud University, Saudi Arabia.

**Ibrahim bin Mohammed
bin Ibrahim Alissa**

Director



Mr. Alissa is Chairman of the Taiba Holding Co. and a Member of the Board of Directors of Banque Sau-

di Fransi, Savola Group, Yanbu Cement Co. and Jeddah Company for Development. He was previously a member of the Municipal Council of Jeddah. Mr. Alissa holds a Business Administration degree from Chapman University, California, USA.

**Engr. Musa bin Omran
Al Omran**

Director



Engr. Al Omran is a Board Member of Banque Saudi Fransi and the General Investment Authority. He is

an active member of the Young Managers Association. Engr. Al Omran holds a Bachelor's degree in Industrial Engineering from King Saud University, Saudi Arabia, a Master's degree in Business Administration from St. Edward University, USA, and a Diploma in Science and Technical Bread from Pittsburgh Institute, USA.

**Dr. Ibrahim bin Hassan
Mohammed Al Madhoun**

Director



In addition to his role on the Board of Directors at Almarai, Dr. Al Madhoun is a Member of

the Board of Directors of the Red Sea Housing Services Co., Herfy Company, Fitaihi Company and Al Obeikan Investment Group. He holds a PhD in Civil Engineering from the University of Arizona, USA.

**Suliman bin Abdulgader
Al Muhaideb**

Director



Mr. Al Muhaideb is Chairman of the Board of Directors of Al Muhaideb Group, Savola Group, Amwal Al Khaleej

for Commercial Investments Co., Jousour Holding Company (part of Swicorp) and Al Oula Real Estate Development Co. He is a Member of the Board of Directors of Saudi British Bank (SABB), National Industrialization Co. and the Arabian Company for Water & Energy Development. He is also a Board Member of the Social Responsibility Board and the Centennial Fund.

**Engr. Abdullah bin Mohammed
Noor Rihaimi**

Director



HE Engr. Rihaimi joined the Almarai Board of Directors in September 2014. He is a Member of the Board

of Directors of Savola Group and sits on the board of a number of Savola's subsidiary companies. He has previously held the role of Assistant Director General at the Saudi Industrial Development Fund (SIDF) and in 2003 he was appointed President of Civil Aviation at the Ministry of Defense & Civil Aviation (now the General Authority of Civil Aviation), by Royal Decree. HE Engr. Rihaimi holds a BSc in Mechanical Engineering from the King Fahad University of Petroleum and Minerals, Saudi Arabia.

Share Price & Shareholder Information

Almarai shareholdings

By the end of 2014 Almarai had 53,736 shareholders.

Institutional investors represent 54.3% whilst individual investors represent 45.7% of total shareholders. There are 31 shareholders owning one million shares in Almarai, which represents 87.1% of Almarai issued shares. The following tables give a description of investors in Almarai:

Almarai Investors according to Nature of Investor

Investor Type	Number of Investors	Number of Shares	Percentage of ownership
Corporate	222	325,701,088	54.3%
Individual	53,514	274,298,912	45.7%
Total	53,736	600,000,000	100%

Almarai Investors according to Investor Type

Investor	Percentage of ownership	Number of Investors
SAVOLA Group Company	36.5%	1
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	28.7%	1
Al-Omran family	9.3%	5
Mutual Funds	4.5%	76
Swap agreements	2.8%	40
Companies	2.0%	50
Governmental and quasi-governmental institutions	1.3%	11
Banks and financial institutions	1.2%	28
Insurance companies	0.1%	9
Charities	0.1%	6
Others	13.5%	53,509
Grand Total	100%	53,736

Almarai Investors according to the Size of Ownership

Size of shares	Number of Investors	Percentage of ownership
Million shares and more	31	87.1%
From 500 thousand to less than a million	15	1.7%
From 100 thousand to less than 500 thousand	117	4.2%
From 50 thousand to less than 100 thousand	98	1.1%
From 10 thousand to less than 50 thousand	543	1.8%
From 5 thousand to less than 10 thousand	567	0.6%
From 1 thousand to less than 5 thousand	4147	1.3%
Less than one thousand shares	48,218	2.2%
Total	53,736	100%

Ownership Notification

According to Article (45) of the Listing Rules issued by the Capital Market Authority, during the year 2014 Almarai did not receive any notification of

new ownership percentage of more than 5% of the shares issued to the Company, or any reduction in the percentages occurring at the beginning of the year, as indicated by the following table:

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	219,130,942	36.5%	219,130,942	36.5%
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	172,173,922	28.7%	172,173,922	28.7%
Omran Mohamed Al-Omran and Partners Company	34,226,088	5.7%	34,226,088	5.7%
Total	425,530,952	70.9%	425,530,952	70.9%

Main Transactions, Investments & Other Events

IPNC: acquisition of entire equity

On 8th January 2014 Almarai received the necessary regulatory approvals to complete the full acquisition of shares held by Mead Johnson Nutrition in the International Paediatric Nutrition Company (IPNC) – previously a joint venture. The business is now a wholly-owned subsidiary, providing Almarai with full managerial control. Since the takeover, the business has experienced steady growth, a new strategic direction and new product launches.

Poultry: completion of strategic investment

Almarai has successfully completed development of a third poultry processing line, which has passed quality testing and is ready for operation. This marks the completion of a strategic investment process that began in 2010 to develop vertically integrated facilities for high quality poultry production at Hail. The volume of capital investment in the project between April 2010 and the end of 2013 totalled approximately SAR 4,355 million. The expanded plant includes parent farms, hatcheries, broiler farms, feed mills and distribution facilities. Almarai is continuing to expand its poultry distribution capabilities to meet growing production.

Fondomonte Arizona: acquisition of agricultural land

On 6th March 2014 the Company completed the purchase of 9,834 acres of farmland in Vicksburg, Arizona, USA, through its wholly-owned subsidiary Fondomonte, Arizona LLC. The total consideration for the transaction amounted to \$47.5 million, equivalent

to SAR 178.1 million and was financed from the Company's own resources. The transaction forms part of the Company's continued efforts to improve and secure its supply of the highest quality alfalfa and other animal feeds from outside the Kingdom, and its commitment to eventually importing 100% of all feed requirements from abroad. Direct investment in arable farming will also mean that Almarai is able to secure forage such as corn, soybeans and alfalfa of a quality that is unavailable on global commodity markets.

King Abdullah Port: berth and land lease agreement

Almarai signed two agreements with King Abdullah Economic City and the Ports Development Company for the lease of a berth and 35,000 square meters of land at the King Abdullah Port, Rabigh. The Company signed long-term extendable agreements as an investment in the infrastructure and logistics required for large-scale feed imports from Almarai's overseas farming assets. These agreements will serve the development of the Company's supply strategy and its commitment to sustainable growth.

Beyti: capital investment in Egypt

The International Company for Agricultural Industries (Beyti), operating in Egypt as a subsidiary of International Dairy & Juice Limited (IDJ – Almarai's joint venture with PepsiCo) disclosed a capital investment plan for a new five year strategy, amounting to EGP 2.5 billion, equivalent to about SAR 1.3 billion, according to prevailing exchange rates. The strategy will improve the competitiveness of IDJ in the Egyptian market, and will be financed partly by the joint venture partners and partly by Beyti's own financial resources. Through this investment plan, Almarai and its partner

PepsiCo have reaffirmed their commitment to the joint venture and expansion in Egypt.

Bakery: investment following fire at Jeddah

On 9th of October 2014 a fire incident occurred at one of Almarai's bakery facilities in Jeddah and spread to the adjacent plant. While no injuries occurred, the fire caused severe damage to Plant 1, which was substantially destroyed. The adjacent bakery facility, Plant 3, was structurally partially damaged by smoke. The Board of Directors has mandated the executive management to accelerate the Company's plan to consolidate its bakery facilities at a new Almarai-owned site at King Abdullah Economic City (KAEC) in Rabigh, as an alternative to the existing factories in Jeddah. This is an important part of the Company's strategy for improving operational efficiency and enhancing the quality of the services and products we offer our valued customers. It should be noted that the Company currently operates four of its six bakery facilities.

Capital Expenditure (CAPEX)

CAPEX spend for 2014 was SAR 2.7 billion, which is in line with Almarai's five year capital expenditure guidance of SAR 15.7 billion.

- Manufacturing and farming spent CAPEX of SAR 1.2 billion for capacity expansion projects
- Sales depot and logistics expansion accounted for SAR 0.6 billion
- Replacement and other CAPEX including IDJ and US land acquisition accounted for SAR 0.5 billion
- Poultry CAPEX spend for 2014 was SAR 0.4 billion

CAPEX is a major driver in the Company's growth plans, enabling it to maintain a competitive advantage, innovate in the form of new product development, deliver sustainable shareholder value and deliver the highest quality products to consumers.

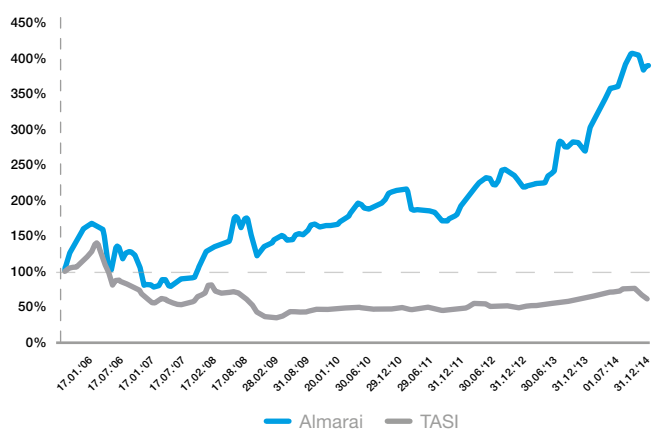
Debt

Net debt rose slightly on the previous year to SAR 8,761.6 million. However the net debt / equity ratio remained steady at 75%. Debt as a proportion of EBITDA dropped marginally from the previous year to 2.8 times.

Share Data

Details		Performance		
Last Trade		Start of Year	Year ago	3 years ago
Price	77.0	53.0	52.5	38.0
Change %	0.32			
Volume	739			
Last Bid		52 Week		
Price	76.5	High	Low	52 Week change
Volume	6918	83.75	52.0	46.67%
Best Offer				
Price	76.75			
Volume	900			

Almarai share performance against the Tadawul All Share Index:



Achievements

The Company finishes the year with a strong balance sheet, with a cash flow positive performance for 2014 and an improved and streamlined business model, a wider footprint and a clear pathway to sustainable growth in 2015 and beyond.

Financial Achievements

Almarai achieved sales of SAR 12,605.6 million in 2014 – another record for the Group, representing an increase of 12.4% over the previous year. Operating Income also reached record levels and grew by 8.5% at SAR 1,950.1 million. Cash flow from operating activities amounted to SAR 3,198.8 million, representing 25.4% of sales.

Sales growth was strong across all product categories. Dairy and juice grew by 12.1%, bakery by 6.1% and poultry by 29.1%.

During 2014, the gross profit margin increased slightly over 2013 due to a more profitable sales mix and tight control of direct costs. Further expansion of our distribution capabilities throughout the GCC, to support increasing fresh demand, particularly in Poultry, has seen Selling & Distribution expenses increase by 20.1% over 2013. General and Administration expenses grew 14.6% over 2013 in line with an increase of 14.4% in Gross Margin.

Overall this strong core operating performance resulted in EBITDA reaching SAR 2,964.3 million, an increase from 2013 of 8.4%, and representing 23.5% of sales (24.4% in 2013). EBIT growth was 8.5% and Net Income growth was 11.5%. In 2014, EBIT and Net Income represent 15.5% and 13.3% of sales (2013: 16.0% and 13.4%).

Our investment programme continued during 2014, reaching SAR 2,820.2 million overall. 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. In addition, the group purchased 9,834 acres of farm land in the United States as part of its strategy to secure animal feeds from outside the Kingdom.

The investments in property, plant and equipment and working capital necessary to cope with increasing

consumer demand have been funded mainly through operating cash flows.

Operational Achievements

Farming & imports

Good progress was made in our strategic commitment to importing 100% of the Company's animal feeds. In 2014 Almarai imported over 700,000 tons of feed from overseas and the share of that figure provided by Almarai's own assets is set to increase in 2015 following the acquisition of further arable farmland. The Company now owns or controls substantial arable farming assets in Argentina, the USA and indirectly in Ukraine and Poland, and further investments were made in the Company's farming capacity in 2014. A new alfalfa farm – Fondomonte Arizona – was established in the USA in March while the Company's continued strategy of maximizing vertical integration saw it successfully export 75,000 metric tons of forage from its farms in Argentina and the USA to shipping terminals in Saudi Arabia.

Almarai's dairy herd grew to 85,466 milking cows in 2014 – an increase of 7,391. The construction of a dairy farm, to accommodate 7,500 milking cows and allow for further herd expansion, also took place in 2014. The management structure of our poultry farms was successfully consolidated and broiler production grew by 9.33%.

Distribution & logistics

The Company drove 225 million kilometres in 2014 and delivered over 1.8 billion kilograms, or 240,000 truckloads, of produce. Almarai also made investments in its distribution model, aimed at improving road safety. A key achievement in 2014 was the installation of 'Telematics' – a tracking system for distribution vehicles that also monitors the driver's behaviour, enabling the Company to see if a vehicle is speeding or off-route. Improved visibility of vehicles will also positively impact fuel consumption and scheduling. By the close of 2014, the Company had installed the system on 60% of its entire fleet, a process that will be completed in Q1 of 2015.

Stock control

- During the year, Almarai exceeded its service to production targets of 99.4% and 98.1% in the fresh food and bakery segments respectively
- 100% service to production (supply of materials from warehouse to production)
- Fresh - 99.40% vs. 99.30% target
- Foods/UH - 94.20% vs. 95.00% target
- Bakery - 98.10% vs. 98.00% target
- Ramadan performance was excellent with an average fresh service of 99.5% during the Holy Month
- Raw milk management during Ramadan was excellent

Saudization

The Company has continued its strong commitment to attracting and rewarding local talent, employing over 7,000 Saudi nationals in 2014. This figure represents 23% of Almarai's total number of employees in the Kingdom and maintains the Company's 'green' Nitaqat status. Almarai continues to be an employer of choice for Saudi nationals, with a new Saudi employee joining the company on average every working hour. In addition, the Company welcomed 200 new Saudi graduates in 2014 and 125 students from Almarai's Dairy & Food Polytechnic were admitted to Operations for on-the-job training, all of whom have subsequently been employed.

Awards

Almarai won a handful of important industry awards in 2014 – testament to its commitment to delivering world-class food and beverages and its exceptional quality-led supply chain. The Company also received awards for its commitment to job creation and the continued leadership of its management.

Awards in 2014

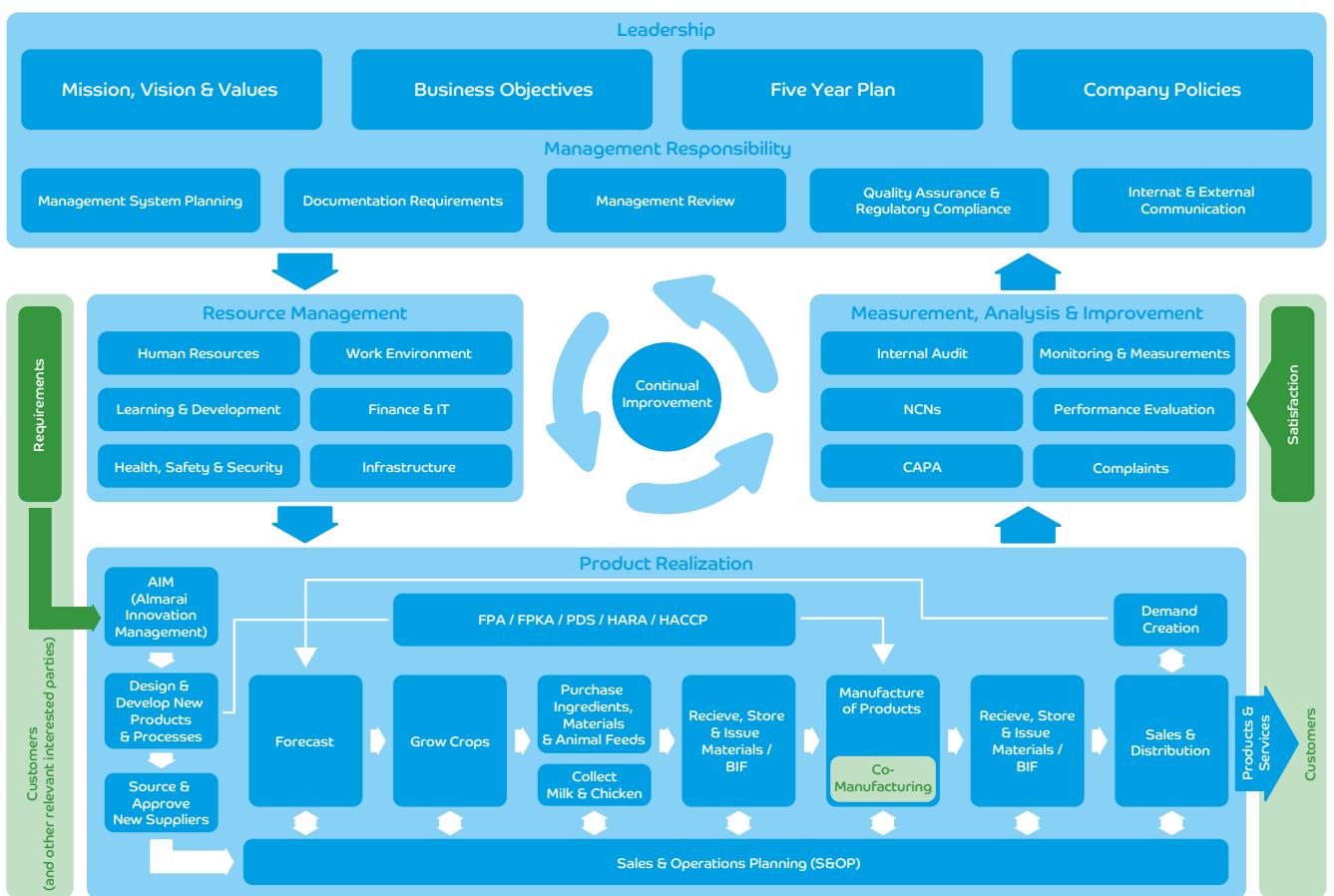
- 1 Middle East Excellence Award, Dairy Sector
- 2 Middle East Excellence Executives Award
- 3 Best Production Company in the Arabian World – Excellence Awards in Food Business
- 4 Employment Generation Award
- 5 Best Treasurer, Euromoney Best Managed Companies in the Middle East
- 6 Saudi Super Brand Award
- 7 Best Company for Investor Relations in Saudi Arabia
- 8 Best Investor Relations Professional in Saudi Arabia
- 9 Largest Number of Industrial Design Certificates in 2013
- 10 Middle East Leading CEO Award

Distinctive Business Model

Business Process Map

Almarai's 'Business Process Map' safeguards food safety and quality across all divisions, and forms the cornerstone of the company's compliance with ISO 22000 and 9001 food safety and quality standards. The map defines processes – such as leadership, continual

improvement, resource management, product realization, a 'plan-do-check-act' system and other management tools that help the Company to maintain the highest food safety and quality. Consumers can take great confidence from the knowledge that every product has been designed, developed and produced by teams whose decisions are guided by this unique framework.



Sustainability

In an industry that makes demands on natural resources, commodities and human capital, the Company's ability to grow depends on its ability to sustain the natural and commercial environment in which it operates.

Environment

Almarai is ISO 140001 accredited, which applies to the environmental impact of the Company's operations. Almarai also has a PME certificate (Presidency of Meteorology & Environment) and the Company's operations are subject to the PME assessment process.

Water conservation and sustainable farming methods are an important theme. In 2014, Almarai announced that it intends to import 100% of its feed from its wholly-owned farms outside the Kingdom and from third party exporters that meet the Company's quality requirements. That commitment has been supported by continued investment in arable farming assets in Argentina, the USA, and through the consortium United Farmers Holding Company Poland and Ukraine. This move will further reduce the Company's dependence on the Kingdom's water supply.

Almarai is also working towards higher waste reduction and in 2015 every department will be brought under a single ISO quality management system, ensuring that the entire Almarai business meets the same internationally recognized waste management standards.

Almarai's Transport & Logistics division strives for smarter execution of the Company's distribution requirements to facilitate reduced fuel consumption per unit delivered. This has an immediate, positive environmental impact as the Company will reduce its carbon footprint over the year.

Localisation

One of the keys to growing a sustainable business is to invest in the local workforce. A talented local recruitment pool benefits the Company with the opportunity of working with skilled Saudi nationals who intimately understand the needs of the community. Externally, the Company's sustainability programme offers training

and graduate programmes. Almarai takes an active role by directly investing in training and development.

Employee programmes

During 2014 Almarai continued to offer local employees a Housing Loan as part of its programme to attract highly qualified local talent. The scheme helps nationals to own homes at low cost, demonstrating Almarai's commitment to providing long-term careers for the Kingdom's workforce. The programme is offered to outstanding employees in accordance with endorsed regulatory policies and procedures. It is an important part of Almarai's long-term efforts to support employment nationalisation in the Kingdom's food industry.

The Company also offers certain non-executive employees the option of equity ownership and performance-based incentives, which will result in improved alignment of the interests of shareholders and employees. The vesting of the Option is dependent on meeting or exceeding annual performance targets set by the Company in accordance with its five year plan.

Social Responsibility

Almarai's social responsibility programme focuses on supporting education and excellence in the Kingdom, training and developing local talent, and the health and safety of all our stakeholders.

Investing in education & excellence

Almarai sponsors a number of important awards. The Almarai Scientific Innovation Award was launched in 2001 in partnership with the King Abdulaziz City for Science and Technology, in support of scientists, researchers, the applied sciences, scientific development and creativity in the Kingdom. The Almarai Scholastic Excellence Award, which we have run since 2006, aims to encourage public sector students in the GCC who demonstrate excellence, by supporting their capabilities and nurturing future success. The Almarai Veterinarian Award honours Saudi Arabia's veterinary professionals – a group who are of special importance to our own operations. The award has been run since 2010, and continues to highlight the vital role of veterinarians in protecting animal health and welfare in the Kingdom.

Training & developing local talent

The Almarai Sales Academy was launched in 2014, aiming to attract and develop the best Saudi talent. The Almarai Dairy & Food Polytechnic, a joint project with the Technical and Vocational Training Corporation, enjoyed another successful year, training over 400 students. Through the Graduate Professional Trainee (GPT) programme Almarai this year employed hundreds of local, fresh and talented graduates across all divisions. We have also established a Long Haul Driving school to provide training to our drivers throughout the year.

Health & safety

Our products are consumed by millions of people, and we have a responsibility to ensure that we rigorously deliver safe and nutritious food and beverages. Health and safety also applies to our other stakeholders, including our processing operatives and distribution teams.

In 2014 we developed a new road safety system for our logistics fleet. The new 'Telematics' system is tailored to Almarai's specific purposes. Similar to black boxes used in aircraft, the system helps the Company to understand how to avoid accidents and protect the safety of our drivers.

People, Team & Culture

Over the years, Almarai's structure has evolved, moving from a rigid departmental business to one that has become increasingly matrix in style. There is a much greater sense of cohesion across the organisation, from top to bottom and across departments. Achieving this has been an important objective because the sharing of experience and an 'open-door' policy helps to foster a culture of dialogue and engagement.

Engagement

Engaging fully with each other is a critical step on the road to productivity, innovation and business success, and we have become increasingly creative in how we foster team work. Every year during Ramadan we encourage all employees to spend time working together to stack shelves – a novel experience for

many – bringing people together whose paths may otherwise not cross. This not only creates a spirit of giving during the Holy Month but instils a sense of fun and enjoyment in the workplace.

Simple initiatives such as these engender a sense of respect within the company. Almarai employs forty nationalities and fostering multiculturalism through teamwork helps each of us to gain a greater understanding of cultural nuances and sensitivities. Almarai is now better structured as a company, which makes the delivery of innovation easier and more efficient. We enjoy a strong sense of community within the company, which enables us to work smarter and achieve better business results.

People of quality

Almarai has always placed great emphasis on the quality of the people it employs and the quality of the systems and processes that exist within it. The commitment and quality of our people is now even stronger as we continue to invest in the right processes and systems to support our growth and expansion. Our people are proud to be part of the Almarai family, and as a result they have a strong 'can do' attitude.

One culture

The Almarai family aims to engender a corporate culture of honesty and transparency. Part of our current activity is to roll out an agreed set of standards and procedures that are appropriate to every employee at every level, that reflect our corporate values, and that are relevant to our business environment. This ranges from supplier relations, fraud, conflicts of interests and health and safety regulations. It is a major task but the Company is on target to complete a global policy that can be used by every employee during 2015.



Brands

The Almarai brand continues to grow and maintain its position as a market leader in Saudi Arabia and the GCC.

The quality that is now inherent in the Almarai name has enabled the Company to gain trust from consumers during new product launches and as we move into new categories. Consumer trust in Almarai is reflected by the continued growth and success of the Company's brands in 2014.

Almarai

Almarai significantly expanded its dairy range in 2014 with the introduction of new milk, cream and yoghurt products. Almarai's range of foods also grew, with the addition of a number of new cheese products. The Almarai portfolio of juices was further diversified to include 'Pineapple Orange', 'Peach Pineapple' and 'Red Orange Raspberry' flavours, as well as the new 'Nijoom' range of children's juices featuring innovative new flavours and sports caps.

L'usine

L'usine has maintained its regional leadership of the bakery segment throughout 2014, and continued its growth path. The brand's range has been further diversified by moving from a 'pure' bakery brand to becoming a competitor in the snacks sector. L'usine continues to deliver the highest quality freshly baked goods to the GCC market.

7 Days

7Days, which was launched in 2009 as a joint venture with Chipita and Olayan, offers croissants, layered cakes and Swiss rolls to consumers across the Kingdom of Saudi Arabia and the GCC. During 2014 the Swiss roll range widened to include a new Cappuccino Swiss Roll variation.

Alyoum

The Company's poultry brand, Alyoum ('today'), continued to go from strength-to-strength in 2014

with the addition of two new products; 'Skinless Chicken Drumsticks and Thighs' and 'Premium Minced Chicken'. Launched in 2010, Alyoum holds a commanding place in the poultry market as the largest fresh poultry producer in the region.

Nuralac & Nuralac Plus

After Almarai took full control of its infant nutrition business the original 'Enfagrow' and 'Enfamil' brands became 'Nuralac' and 'Nuralac Plus', and in 2014 the range of infant nutrition products continued to grow. IPNC has adjusted its strategic communications to engage directly with paediatricians and communicate with mothers through new media campaigns, digital strategies and in-store activations. This approach has enabled Nuralac to reach over 3,000 paediatricians and more than 70% of mothers in chosen markets.

Innovation & Renovation

The company's strategic innovation and renovation policy is to carefully and organically manage the development of core products and to create greater choice for consumers. Almarai's principle innovation and renovation objectives for 2014 were as follows:

Innovation

1. The delivery of new products
2. To identify 'game changing' packaging solutions

Renovation

1. Competitive benchmarking and reviews of all core products
2. The continuity of value engineering across all product categories
3. To explore and support alternative suppliers in order to manage risk

Strategy

The Company operates a 'stage and gate' system – the Almarai Innovation Management system (AIM). This system allows new product ideas to be funneled

in to the new product development department (NPD) and all employees are invited to participate. Ideas are then analyzed by technical experts across departments, a process that is supported by market research and analysis; all of which then leads to the department's ability to define the scope of the project. Important key factors that require consideration during the development process are nutritional value, portion size, shelf life and look.

New & improved products in 2014

The full range of Almarai's new and improved products in 2014 is summarised by the following table:

Category	Suggested Name
Dairy	Cappuccino Milk
	Fresh Double Chocolate Milk
	Gaimar - Thick Cream
	Fresh Sour Yoghurt - Full Cream
	Sterilized Cream - Lite
	Sterilized Cream
Food	Long Life Full Fat Milk with Added Vitamins
	Vetal Layered Fruit Yoghurt
	Almette - Fresh Cream Cheeses
	Shredded Mozzarella Cheese - Lite
	Spreadable Cheddar Cheese - Reduced Fat
Horticulture	Cooking Cream - Lite
	Nijoom - Triangle Cheese
Juice	Extra Virgin Olive Oil - Premium Quality
	Nijoom Children's Juice Drinks
	Pineapple & Orange Juice Drink
Poultry	Peach Pineapple Juice Drink
	Skinless Chicken Drumsticks and Thighs
	Premium Minced Chicken
Bakery	Chicken Burger and Kebab
	Cappuccino Swiss Roll

Production Footprint

Almarai's strategy for production in 2014 was to reduce costs and maximise output in order to increase profitability, deliver greater value for shareholders and competitive prices for consumers. Quality, however, remained the most important driver of our production strategy.

Greater capacity

During 2014 the Company continued to focus on developing greater capacity, investing 25% of sales in processing, particularly in poultry and overseas farming. Our farms in Argentina and the USA allow us to secure our own feed supply. Sustaining our feed supply from our own sources enables us to control quality, safety and costs. The Company currently has investment projects that will enable it to expand capacity across a range of activities including farming and processing plants, logistics and distribution.

Investing in poultry

Developing the poultry sector was a significant focus for the Company in 2014. Progress has been made on the journey towards profitability in this new and highly competitive sector and a key component of our poultry strategy is to greatly increase capacity. This, combined with increasing market share across our other core segments will be an important strategic focus in 2015.

Increased milk production

Total sales in the milk segment continue to grow YOY. Our success is not only measured by profitability but also against a range of KPI's. These include the number of litres of milk per cow per day (which averaged 41.2 litres in 2014), pregnancy rates, live calve births, number of litres of diesel used (arable), labour costs per litre and number of cows per staff member. In 2014 the stand-out result was milk yield, which reached 1.1 billion litres.

Distribution Capabilities & Execution

Almarai's Transport & Logistics division is larger than any logistics company in the GCC. This includes the scale of its assets, the geography it covers and the quantity of products that it delivers. The Company operates a wholly-owned distribution process, with over 1,300 trucks and 1,400 cold trailers delivering over 1.8 billion kilograms per year across the region.

Smarter execution

The Company's focus in 2014 was to achieve greater sales and operational efficiency without compromising safety, quality or Almarai's goal of growing sustainably. Smarter execution of the Company's logistics and distribution capabilities facilitated reduced fuel consumption per unit delivered.

An important factor in maintaining standards is the Company's ability to meet strict delivery times. Almarai operates a voluntary quality standard of 98%-plus on-time delivery – this is the Company's commitment to retailers and consumers. In 2014 the Company achieved an average of 99% on-time delivery.

In 2014 the decision was taken to increase the utilisation of the Company's cold trailers, increasing the volume of products stored and delivered per journey. This enabled Almarai to maximise output per journey, meet retailers' demands and reduce transport and logistics costs per unit. The T&L division was keen to ensure that greater output volume did not compromise the condition or quality of products delivered. The department carried out an exhaustive testing process, testing the temperature of delivery vehicles and the product's ability to remain fresh throughout delivery time. The successful implementation of the strategy led to a drop in cost per unit of 7% which, set against an 11% YOY increase in output volume, represents a considerable improvement in execution.

Consumer Dedication

Almarai is committed to enriching lives and aims to be the consumer's preferred choice by providing superior, affordable products that are freshly produced and promote healthy living.

Accreditation

Almarai is an ISO (International Organisation for Standardization) accredited company. It attained accreditation for ISO 9001 (quality management) in the mid – 1990's. Since then Almarai has gained ISO accreditations 14001 (environment) and 22000 (food safety), enabling the company to demonstrate to customers that it has an effective food safety and quality management structure in place. These systems include a documented process that is fully implemented throughout all facilities – and in Almarai's case, each stage of the supply chain.

The specific areas covered by the various ISO accreditations include hazard analysis, sanitation, food safety, emergency plans, traceability, internal audit procedures, appropriately trained and qualified personnel, sufficient infrastructure and a working environment geared towards food safety and quality. In 2014 Almarai underwent its first consolidated external ISO 9001 and 22000 audit. Almarai invited auditors to examine every aspect of food safety and quality within the manufacturing process so that the Company could attain an independent assessment of its food safety and quality. This process is now complete and Almarai now has ISO 9001 & 22000 at a corporate level.

Connecting with the community

Almarai enjoys high commission flexibility and connects with consumers through various channels. These include:

- **Website**
With more than three million visits per year, visitors are able to enquire directly through specific channels
- **Social media**
The Company has a strong presence on Facebook, Twitter, YouTube and LinkedIn, reaching over twenty five million people. Over three million consumers follow the Company's news and updates
- **Visitation**
The Company has a 'Visits' programme, welcoming consumers, customers, school children and members of the public to the farms and Central Processing Plants at Al Kharj and Hail where they are able to learn more about Almarai's work

Financial Review

Almarai achieved sales of SAR 12,605.6 million in 2014 – another record for the Group, representing an increase of 12.4% over the previous year. Operating Income also reached record levels, growing by 8.5% at SAR 1,950.1 million. Cash flow from operating activities amounted to SAR 3,198.8 million, representing 25.4% of Sales.

Sales growth was strong across all product categories. Dairy and juice grew by 12.1%, bakery by 6.1% and poultry had the strongest growth at 29.1%.

The dairy and juice segment has seen profitability grow by 17.8% over 2013, led by long life dairy (15.7% revenue growth), fresh dairy (12.5% revenue growth) and juice (16.1% revenue growth). Cheese and butter, while remaining profitable, has achieved modest revenue growth of 4.5%, an improvement on the 3% increase recorded in 2013.

Bakery segment profit growth of 20.8% was been led by fresh bread with additional manufacturing and Gulf distribution capacity supporting profitable growth. Two of the Company's Western Bakeries' plants caught fire on October 9th 2014 resulting in major damage to certain assets. This slowed down the growth of the bakery segment in the last quarter. The losses are covered under the Company's Property All Risk insurance policy and Loss of Profits insurance policy.

During 2014, the gross profit margin increased slightly over 2013 due to a more profitable sales mix and tight control of direct costs. Further expansion of our distribution capabilities throughout the GCC, to support increasing fresh demand, particularly Poultry, saw Selling & Distribution expenses increase by 20.1% over 2013. General and Administration expenses grew 14.6% over 2013 in line with the increase of 14.4% in Gross Margin.

Overall this strong core operating performance resulted in EBITDA reaching SAR 2,964.3 million, an increase on 2013 of 8.4%, and representing 23.5% of Sales (24.4% in 2013). EBIT growth was 8.5% and Net Income growth was 11.5%. In 2014, EBIT and Net Income represent 15.5% and 13.3% of Sales (2013: 16.0% and 13.4%).

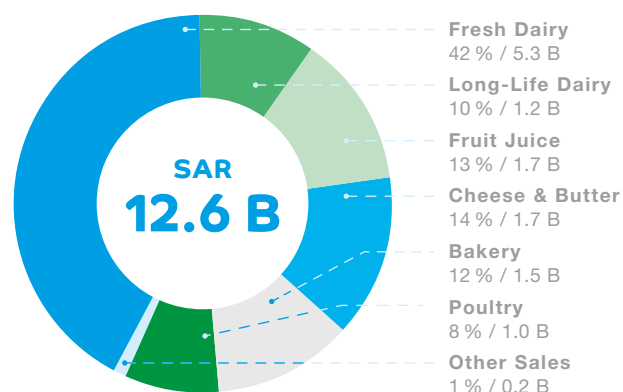
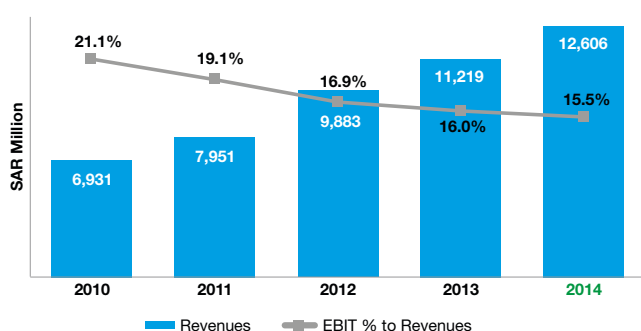
Our investment programme continued during 2014, reaching SAR 2,820.2 million overall. The expansion of our farming, manufacturing and distribution capabilities constitute the majority of our investment. This investment is in line with our long term strategic plan and is essential to enable us to meet growing consumer demand. In addition, the group purchased 9,834 acres of farm land in the United States as part of its strategy to secure animal feeds from outside the Kingdom.

Income Statement

The following analysis shows the significant changes which have occurred in the Almarai consolidated Income Statement, compared with 2013:

- Almarai achieved Sales revenue of SAR 12.6 billion, growing 12.4% over 2013.
- The Gross Profit Margin has increased slightly over last year due to a more profitable sales mix and tight control of Direct Costs.
- Further expansion of our distribution capabilities throughout the GCC to support increasing fresh demand, particularly Poultry, saw Selling & Distribution Expenses increase by 20.1% over 2013.
- General and Administration expenses grew 14.6% over 2013, in line with the increase in Gross Margin.
- Net Operating Income has grown by 8.5% over 2013 and includes depreciation and payroll costs resulting from the Company's investment programme.
- Net Income increased by 11.5% to reach SAR 1,674.3 million, the highest level ever achieved by Almarai, representing 13.3% of total sales.

Income Statement Summary (SAR Million)	2014	2013	Change		Contribution	
			Value	Percentage	2014	2013
Sales	12,605.6	11,219.2	1,386.4	12.4%	100.0%	100.0%
Cost of Sales	(8,070.5)	(7,256.5)	(814.1)	11.2%	-64.0%	-64.7%
Gross Profit	4,535.0	3,962.7	572.3	14.4%	36.0%	35.3%
Selling and Distribution Expenses	(2,246.2)	(1,870.5)	(375.8)	20.1%	-17.8%	-16.7%
General and Administration Expenses	(338.7)	(295.7)	(43.0)	14.6%	-2.7%	-2.6%
Net Operating Income	1,950.1	1,796.6	153.5	8.5%	15.5%	16.0%
Net Income	1,674.3	1,502.2	172.1	11.5%	13.3%	13.4%



Sales by Product Group

The table below illustrates continuous growth in Sales by product group:

Sales by Product Group SAR Billion	Year to Date		
	2014	2013	% change
Fresh Dairy	5,241	4,660	12.5%
Long-Life Dairy	1,239	1,071	15.7%
Fruit Juice	1,691	1,456	16.1%
Cheese & Butter	1,724	1,649	4.5%
Bakery	1,533	1,445	6.1%
Poultry	1,023	0,792	29.1%
Other Sales	0,155	0,146	6.0%
Total Sales	12,606	11,219	12.4%

All major categories delivered robust growth, with particularly strong growth recorded in fresh product categories (+13.6%), contributing to the Group's overall Sales growth of +12.4%. The following chart gives a breakdown of sales by product group:

Fresh Dairy

Core 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 5,241.1 million (+12.5% growth from 2013).

Consistent focus on execution and excellence in business fundamentals resulted in a favourable performance in 2014. The highest quality products continue to be manufactured and delivered to more than 100,000 retail outlets on a daily basis. Impactful communication campaigns strengthen the brand's appeal whilst innovation around new products, line extensions and packaging improvements further add to consumer satisfaction.

Long-Life Dairy

Product range within the portfolio includes UHT milk, evaporated milk, whipping cream, cooking cream and UHT cream. The Long Life Dairy category realized strong growth with revenue reaching SAR 1,239.2 million (+15.7% growth from 2013). Margins increased due to a worldwide decrease in dairy commodity prices.

Cheese and Butter

Our cheese and butter portfolio is broad-based and spans three key segments:

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

2014 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 SAR 1,723.7 million, delivering growth of +4.5%.

Fruit Juice

Almarai is the leading juice brand across the GCC. In 2014 the category included 27 flavours. In 2014 juice 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 quality. Higher consumer preference was driven by consistent product quality, relevant flavours for targeted consumers, focused communication and unparalleled distribution. Strong growth in all GCC countries, as well as Egypt and Jordan, has seen revenue grow +16.1% over 2013, to record Sales of SAR 1,691.1 million in 2014.

Bakery

Almarai bakery products are marketed under the 'L'usine' and '7Days' brands. 2014 was a challenging year for L'usine. Portfolio optimisation, product enhancements, distribution efficiencies and withdrawal from Oman enabled a year on year gross margin growth greater than volume growth. The fire incident at the Jeddah bakery site contributed to a slowdown in performance in Q4. We continue to focus on driving performance that exceeds the market and ensuring resource efficiency to deliver long term profitable growth for the brand.

7Days has maintained its market leadership across its entire portfolio by executing a robust and continuous communication plan, improving in-store visibility through merchandising and distribution and by introducing consumer-tested flavour launches across croissants, cake bars and Swiss rolls, which have built a substantial consumer following in 2014. Overall Bakery growth over 2013 was +6.1% amounting to SAR 1,532.9 million in revenue during 2014.

Poultry

Sales volume in 2014 increased by 29.1% compared to 2013, allowing the 'Alyoum' brand to capture more than 43% of the total fresh retail chicken market in Saudi Arabia. The poultry range has witnessed another turn in brand history moving into the higher margin value added products range with a wide variety of marinated products, introducing the fresh 'Chicken Burger and Kebab' for the first time to the Saudi market.

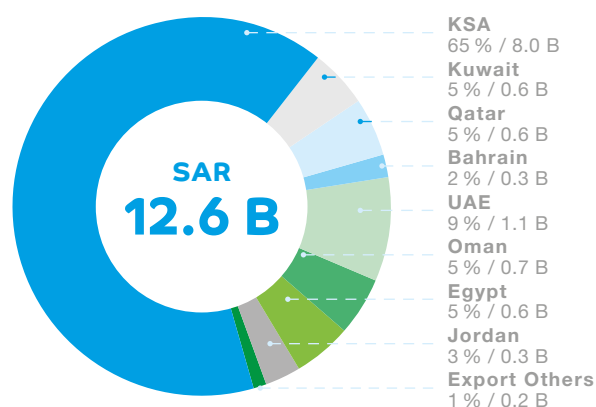
Consistently focusing on delivering the highest product quality, best in class distribution and market penetration along with effective consumer communication allowed 'Alyoum' to raise awareness and significantly increase consumer willingness to buy its products, exceeding other established poultry brands in its fifth year since launching. These efforts, coupled with attractive packaging and unmatched distribution and sales reach, have combined to see revenues grow +29.1% to SAR 1,022.8 million.

Arable & Horticulture

Sales from arable and horticultural operations, which include dates, olive oil, grapes and wheat, were SAR 127.5 million in 2014.

Sales by Geography

Strong growth in Egypt and Jordan, coupled with the expansion of the bakery and poultry segments in the other GCC countries, allowed for regional diversification as demonstrated by the below table:



Results by Segment

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 Zain is included under other activities. Selected financial information for the years ended 31 December 2014 and 2013, categorised by segment, are illustrated in the table below:

Segmental Reporting (SAR Million)	Dairy & Juice	Bakery	Poultry	Other Activities	Almarai Group
2014					
Sales	9,942.8	1,532.9	1,022.8	514.3	13,012.7
Third Party Sales	9,901.9	1,532.9	1,022.8	148.0	12,605.6
Depreciation	(913.0)	(161.0)	(298.1)	(81.8)	(1,453.9)
Share of Results of Associates and Joint Ventures	0.0	0.0	(3.3)	(4.9)	(8.2)
Income / (loss) before Non Controlling Interest	2,009.2	168.3	(397.3)	(96.3)	1,683.9
Share of Net Assets in Associates and Joint Ventures	0.2	0.0	29.3	133.2	162.7
Additions to Non-Current Assets	2,532.4	162.6	520.7	228.1	3,443.9
Non-Current Assets	11,330.2	1,499.4	4,682.3	1,525.5	19,037.3
Total Assets	14,943.9	1,815.7	5,229.8	1,959.5	23,948.9
					-
Return on Net Operating Assets	18.3%	14.9%	-8.6%	-5.7%	7.1%
Return on Sales	20.3%	11.0%	-38.8%	-65.1%	13.4%
Return on Net Assets	17.5%	10.0%	-8.1%	-4.4%	8.3%

Segmental Reporting (SAR Million)	Dairy & Juice	Bakery	Poultry	Other Activities	Almarai Group
2013					
Sales	8,868.2	1,445.1	792.3	435.1	11,540.7
Third Party Sales	8,835.8	1,445.1	792.3	145.9	11,219.2
Depreciation	(930.1)	(136.7)	(174.6)	(89.3)	(1,330.6)
Share of Results of Associates and Joint Ventures	0.0	0.0	(0.6)	(29.3)	(30.0)
Income / (loss) before Non Controlling Interest	1,705.3	139.4	(338.6)	(5.7)	1,500.4
Share of Net Assets in Associates and Joint Ventures	0.2	0.0	33.9	217.3	251.4
Additions to Non-Current Assets	2,089.6	172.1	1,074.9	273.0	3,609.6
Non-Current Assets	8,990.5	1,783.7	4,447.0	2,601.9	17,823.1
Total Assets	13,255.2	2,021.6	4,937.6	2,956.9	23,171.4
Return on Net Operating Assets	18.9%	10.7%	-8.9%	-0.3%	8.0%
Return on Sales	19.3%	9.6%	-42.7%	-3.9%	13.4%
Return on Net Assets	17.8%	7.5%	-8.2%	-0.3%	8.3%

Operating Costs

During 2014, overall commodity costs softened slightly, led by juice concentrates, improving the ratio of Direct Material Costs to Sales, with a decrease from 42.3% in 2013 to 40.7%. Selling & Distribution Expenses increased by 20.1%. 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; increased investment in distribution footprint in Egypt; and enhancement of organisational infrastructure to

address the increasing complexity of the business and to prepare for future growth.

General and Administration Expenses increased by 14.6%, which was in line with growth in Gross Margin.

Almarai is continuously investing in local talent and intends to be at the forefront of compliance with progressive labour laws and regulations. Increasing employment localisation has adversely affected Operating Costs, including Other Cost of Sales.

Operating Costs (SAR Million)	Year ended 31 December				
	2014	% of Sales	2013	% of Sales	Change in %
Direct Material Costs	5,129.4	40.7%	4,744.4	42.3%	8.1%
Other Cost of Sales	2,941.1	23.3%	2,512.0	22.4%	17.1%
Selling & Distribution Expenses	2,246.2	17.8%	1,870.5	16.7%	20.1%
General & Administration Expenses	338.7	2.7%	295.7	2.6%	14.6%
Total Operating Costs	10,655.5	84.5%	9,422.6	84.0%	13.1%

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

Investments in localisation and the quality of personnel have driven up Employee Costs by 18.1%, while increased spending on marketing and communication has pushed up Marketing Expenses by 21.5%.

Operating Overheads includes further expenditure on repairs and maintenance in line with the increase in capital expenditure. Insurance is also growing due to the increase in the Group's assets and a fleet premium rise in 2014.

Operating Costs (SAR Million)	Year ended 31 December				
	2014	% of Sales	2013	% of Sales	Change in %
Direct Material Costs	5,129.4	40.7%	4,744.4	42.3%	8.1%
Employee Costs	2,483.3	19.7%	2,102.5	18.7%	18.1%
Operating Overheads	1,283.2	10.2%	1,032.2	9.2%	24.3%
Marketing Expenses	672.0	5.3%	552.9	4.9%	21.5%
Insurance	25.9	0.2%	16.1	0.1%	61.4%
Depreciation & Disposal of Assets	1,061.7	8.4%	974.5	8.7%	8.9%
Total Operating Costs	10,655.5	84.5%	9,422.6	84.0%	13.1%

Depreciation and Disposal of Assets

Biological assets include Almarai's dairy herd, poultry flocks and horticultural crops. Net biological asset appreciation represents the growth in such assets, capitalised in accordance with our accounting policy and in line with SOCPA standards. The accounting policy is outlined in the Financial Statements. Depreciation and disposal of assets increased SAR 87.2 million in 2014, due to the ongoing investment in our farming, production and distribution facilities.

Share of Results of Associates and Joint Ventures

Investments in Associated Companies as at 31st December 2014 include United Farmers Holding Company (a Joint Venture company with Saudi Grains and Fodder Holding Company and Saudi Agricultural and Livestock Investment Company) 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	204.0	(65.9)	(4.9)		133.2
Pure Breed Company	33.9		(3.3)	(1.3)	29.3
International Pediatric Nutrition Company	13.3		0.0	(13.4)	0.0
Almarai Company WLL	0.2				0.2
Total	251.4	(65.9)	(8.2)	(14.6)	162.7

Zakat and Foreign Income Tax

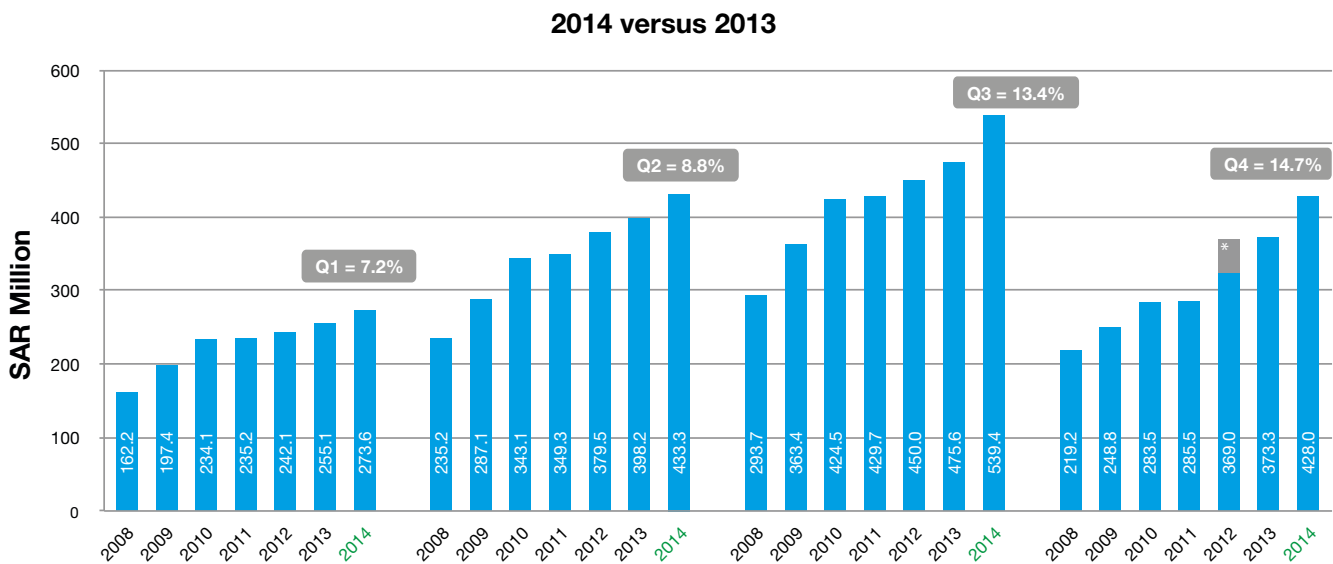
Zakat is calculated by Net Adjusted Income or Zakat base as required by the Department of Zakat and Income Tax (DZIT). In 2014, the Zakat charge was based on the Net Adjusted Income method. The Company has filed its Zakat returns for all years up to 2013 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the DZIT for all the years up to 2006 while the 2007 to 2013 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, while 2003 to 2008 Zakat returns are under review by the DZIT. From 2009 onwards HADCO is not required to file a return as results are consolidated in to the Almarai Group returns.

Seasonality in Almarai's Results

Some of our operational activities are affected during the fiscal year by seasonal periods that cause a remarkable increase in revenues due to different consumption patterns, specifically during the summer and Ramadan. As a result, revenue growth continues during the second and third quarters, then contracts during the fourth and first quarter of every year. Such seasonal fluctuations in revenues result in changes in interim profits during the fiscal year. Therefore, interim quarterly results are not an accurate indication of the results of the financial year, specifically when comparing fluctuations in results with the previous interim period.

The following diagram illustrates the extent of seasonal impact on Almarai's interim results:



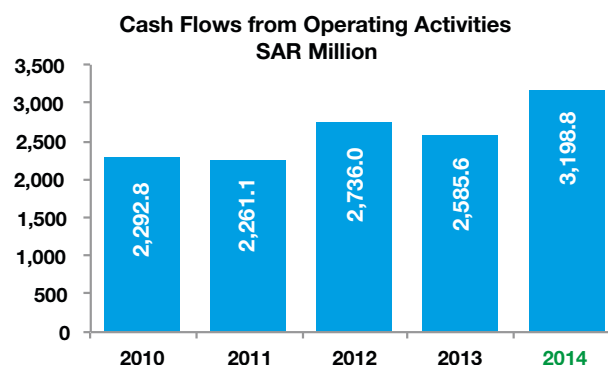
Cash Flow Statement

Cash Flows from Operating Activities reached SAR 3,198.8 million, compared to SAR 2,585.6 million in 2013 and equating to 25.4% of Total Sales. Operating Cash Flow and increased borrowing funded Almarai's SAR 3,114.6 million investment programme for the year. Continued heavy investment in line with the Company's ongoing strategic plan will enable Almarai to satisfy growth in consumer demand and maintain and 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 2014, broadly in line with Sales, and payables have increased slightly resulting in additional total investment into Net Operating Working Capital of SAR 294.2 million. As a percentage of sales, Operating Net Working Capital increased from 13.7% to 15.9%.

Cash Flow Statement (SAR Million)	Year ended 31 December	
	2014	2013
Operating Activities before Changes in Net Operating Working Capital	3,493.0	3,188.8
Changes in Net Operating Working Capital	(294.2)	(603.2)
From Operating Activities	3,198.8	2,585.6
Used in Investing Activities	(3,114.6)	(3,302.3)
From Financing Activities	(1,082.2)	2,115.1
Foreign Currency Translation Differences	(15.7)	(5.3)
Increase in Cash	(1,013.7)	1,393.2
Cash at beginning of period	1,810.5	417.3
Cash at end of period	796.8	1,810.5

Cash Flows from Operating Activities



Cash Flows from Operating Activities (SAR Million)	Year ended 31 December	
	2014	2013
Net Income	1,674.3	1,502.2
Depreciation & Disposal of Assets	1,501.4	1,367.7
Finance Cost, Net	207.9	224.3
Share of Results of Associates and Joint Ventures	8.2	30.0
Other Income	(20.9)	-
Change in Employee Benefits	78.7	61.5
Change in Zakat and Foreign Income Taxes	33.8	5.0
Non Controlling Interest	9.6	(1.8)
Changes in Net Operating Working Capital	(294.2)	(603.2)
Cash Flows from Operating Activities	3,198.8	2,585.6

*The re-measurement to fair value of the Group's interest in IPNC resulted in a gain of SAR 20.9 million in 2014 recorded under Other Income.

Cash Flows Used in Investing Activities

During 2014, SAR 2,820.2 million was invested in order to support Almarai's growing operations:

Dairy Farming

During 2014, Almarai made a commitment to move its alfalfa production outside Saudi Arabia to conserve the Kingdom's water supply. In this regard, the Company invested SAR 229 million in farm land and assets in Arizona in the United States of America. Furthermore, Almarai continued investing in its milk supply to support growing demand of its core products. In doing so we invested an additional SAR 566 million during the year.

Manufacturing and Distribution

SAR 1,538 million was invested in various capacity expansion projects in processing plants and distribution to continue to meet the growing demand of our products and product expansion during 2014.

Poultry

During 2014 Processing Plant Line 3 was commissioned in order to deliver the objective of 200 million birds per year capacity. Additionally, upgrades to the current processing plants in various areas were made, bringing total investment in poultry processing to SAR 193 million.

A further SAR 216 million was invested in poultry farming to support the required supply of birds to the processing plants.

Cash Flows from Investing Activities (SAR Million)	Year ended 31 December	
	2014	2013
Capital Expenditure (including biological assets)	(2,820.2)	(2,878.6)
Biological Asset Appreciation	(439.8)	(393.1)
Proceeds from disposals	204.9	202.0
Investments and Financial Assets	65.9	(234.9)
Prepaid Operating Lease of Land	(114.2)	-
Acquisition of Subsidiaries, Net of Cash Acquired	(13.2)	-
Dividend received from an Associate	1.9	2.4
Cash Flows Used in Investing Activities	(3,114.6)	(3,302.3)

*The income of SAR 65.9 million from investments and Financial Assets is the repayment in 2014 of a shareholder loan given to United Farmers Holding Company in 2013.

The following table illustrates distribution of investment by segment spending during 2014:

Capital Expenditure (SAR Million)	2014					Total	Total 2013
	Dairy and Juice	Bakery	Poultry	Arable and Horticulture	Other Activities		
Replacement	(297.0)	(48.2)	(2.4)	(16.6)	(1.9)	(366.2)	(307.1)
New Capex	(1,517.5)	(140.8)	(502.9)	(232.4)	(60.5)	(2,454.1)	(2,571.4)
Total	(1,814.5)	(189.0)	(505.3)	(249.0)	(62.4)	(2,820.2)	(2,878.5)
Capital Commitments	(1,166.8)	(400.6)	(362.9)	(16.9)	(19.7)	(1,966.9)	(1,747.8)

Cash Flows Used in Financing Activities

The strong cash flow generating capability of Almarai has enabled the Group to reduce overall loans and bank overdrafts by SAR 304.8 million in 2014. There was refinancing of some of the Company's banking facilities that had reached maturity in 2014, and Improved Operating Cash Flows led to a net decrease in financing needs for the group.

Cash Flows from Financing Activities (SAR Million)	Year ended	
	Dec 2014	Dec 2013
Increase / (Decrease) in Loans & Bank Overdraft	(304.8)	1,270.8
Borrowings from government financial Institutions		
Repayments	(245.4)	(245.7)
Receipts	207.3	751.9
Borrowings from Islamic banking facilities (Murabaha)		
Repayments	(1,448.8)	(2,688.4)
Receipts	1,200.0	2,137.0
Borrowings from Sukuk Issue		
Receipts	-	1,300.0
Commercial Facility for foreign Subsidiary		
Repayments	(17.9)	
Receipts		4.5
Currency Translation Differences		11.5
Perpetual Sukuk Issue		
Receipts	-	1,700.0
Dividends Paid	(598.3)	(498.5)
Payment of profit on Perpetual Sukuk	(51.6)	
Bank Charges Paid	(240.2)	(261.8)
Purchase of Treasury Shares	0.0	(51.1)
Transactions with Non Controlling Interest	112.8	(34.4)
Perpetual Sukuk Issuance Costs	-	(9.9)
Cash Flows from Financing Activities	(1,082.1)	2,115.1

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

As at 31 December 2014, SAR 4,275.2 million and SAR 660.5 million of Islamic banking facilities and SIDF facilities respectively were unutilised and available for draw-down. Finance Charge (expenses) decreased from SAR 224.3 million to SAR 207.9 million in 2014, primarily due to lower loan utilisation, while SAR 29.3 million of borrowing cost was capitalized to Property, Plant and Equipment during 2014 (SAR 45.1 million in 2013). The transactions with Non-Controlling Interest relate mainly to cash contribution from our IDJ Partner in the capital increase in Egypt.

It is worth mentioning that on 30 September 2013, Almarai issued its first Perpetual Sukuk as Equity - 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. This Sukuk issuance, fully compatible with Islamic Shariah, and issued on a floating rate basis, is a perpetual senior Sukuk callable after 5 years. A dividend of SAR 51.6 million was paid to Perpetual Sukuk-holders during 2014.

Balance Sheet

The following analyses show the most significant changes which have occurred in the Almarai consolidated balance sheet between 2014 and 2013. As a result of the investment expansion policies drawn from the strategic five-year plan, total consolidated assets amounted to SAR 23.9 billion, at a growth rate of +3.4% compared with 2013.

- Net Operating Working Capital has increased +30.7% since 2013. 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.
- Total finance (short and long term loans) in 2014 decreased by 3.5% compared with 2013 to reach SAR 9,414.7 million reflecting the increased Operating Cash Flows generated by higher profitability and tight working capital management.
- Shareholder Equity has grown by 8.8% to reach SAR 9,186.9 million, as a consequence the book value of Shareholder Equity per share reached SAR 15.31 based on 600 million issued shares.
- Total Equity has grown by 8.0% to reach SAR 11.6 billion, representing 48.6% of the Total Assets.
- Included in Total Equity is the first Perpetual Sukuk amounting to SAR 1,700.0 million that was issued on 30 September 2013.

Balance Sheet Summary	2014	2013	Change	
			Value	Percentage
SAR Million				
Cash and Cash Equivalents	796.8	1,810.5	(1,013.7)	-56.0%
Current Assets	4,911.6	5,348.2	(436.7)	-8.2%
Non Current Assets	19,037.3	17,823.1	1,214.2	6.8%
Total Assets	23,948.9	23,171.4	777.5	3.4%
Net Working Capital	2,006.2	1,534.8	471.4	30.7%
Current Liabilities	4,042.9	3,720.5	322.5	8.7%
Non Current Liabilities	8,275.0	8,686.7	(411.7)	-4.7%
Short Term Loans	1,677.7	1,578.2	99.5	6.3%
Long Term Loans	7,737.0	8,180.3	(443.3)	-5.4%
Total Loans	9,414.7	9,758.5	(343.7)	-3.5%
Shareholders' Equity	9,186.9	8,442.5	744.4	8.8%
Book Value Per Share	15.3	14.1	1.2	8.8%
Total Equity	11,630.9	10,764.2	866.7	8.1%
Net Debt	8,761.6	8,052.8		
Net Debt to Equity	75.3%	74.8%		

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 9,414.8 million at the end of 2014, in the form of Murabaha banking facilities compliant with Islamic Shariah, Government funding, and Sukuk from fixed income investors. All contractual terms and guarantees used for these financing agreements are executed with normal commercial conditions, including the mortgage of assets and production lines amounting to SAR 1,393.9 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 a nominal value of SAR 1.0 million and a rate of return as per prevailing rates between Saudi banks (SIBOR) and 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 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.

The financing illustrated in the above table includes facilities granted to Almarai Subsidiaries outside the Kingdom of Saudi Arabia of approximately SAR 118.6 million, granted by banks in the countries in which Almarai Subsidiaries are operating.

The following table illustrates the financing agreements in place at the end of December 2014:

The Financing End of the year 2014
(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	9,996.0	1 to 7 Years	Quarterly and semi-annual and annual	6,026.4	1,200.0	(1,505.5)	5,720.9	2015 to 2021
Saudi Industrial Development Fund	2,054.4	1 to 9 Years	Semi-annual	1,431.3	207.3	(244.7)	1,393.9	2015 to 2023
Agricultural Development Fund	0.8	-	Annual	0.8	-	(0.8)	-	2014
Sukuk - First tranche	1,000.0	Seven years	Lump sum	1,000.0	-	-	1,000.0	19-Mar
Sukuk - Second tranche - 1	787.0	Seven years	Lump sum	787.0	-	-	787.0	20-Mar
Sukuk - Second tranche - 2	513.0	Five years	Lump sum	513.0	-	-	513.0	18-Mar
Total	14,351.2			9,758.5	1,407.3	(1,751.0)	9,414.8	

Classification of Funding End of 2014 (SAR Million)

Classification	2014	2013
Short Term Loans	115.5	169.1
Current portion of Long Term Loans	1,562.2	1,409.1
Long Term Loans	7,737.1	8,180.3
Total	9,414.8	9,758.5

Maturity of Funding End of 2014 (SAR Million)

Maturity	2014	2013
Less than one year	1,677.7	1,578.2
One to two years	1,575.9	1,787.8
Two to five years	3,930.7	3,230.7
Greater than five years	2,230.5	3,161.8
Total	9,414.8	9,758.5

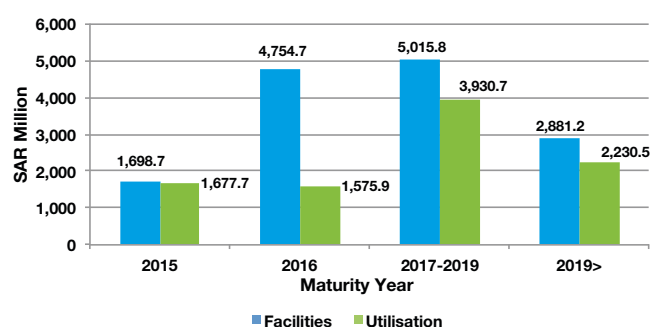
Potential Financing

Due to the growing need to finance Almarai's future projects, our Treasury manages any excess cash and constantly provides the necessary financing solutions for all operational needs, as well as investment in efficient financing facilities. Volume of non-used Murabaha banking facilities and available government financing amounted to SAR 4,935.6 million at the end of 2014. The below table illustrates the amount of utilised and available facilities as at 31 December 2014:

(SAR Million)	Facilities at 31 December 2014	Existing Financing	Not Used
Less than one year	1,698.7	1,677.7	21
One to two years	4,754.7	1,575.9	3,178.8
Two to five years	5,015.8	3,930.7	1,085.1
Greater than five years	2,881.2	2,230.5	650.7
Total	14,350.4	9,414.8	4,935.6

Recognizing the need for further financing to fund our future plans, the Group secured an additional SAR 2,500.0 million of Islamic banking facilities (Murabaha) with a maturity of greater than five years and an additional SAR 660.5 million of SIDF facilities with a maturity of more than five years.

Facilities and Utilisation



Intangible Assets

The intangible assets shown at the end of the balance sheet represent 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 carrying value may be impaired. No impairment has been recognised in 2014.

Tadawul Announcements

No.	Date	Announcement type	Subject
1	9 January 2014	Append announcement	Almarai Company announces the completion of the acquisition of the IPNC shares held by Mead Johnson
2	19 January 2014	Financial results	Almarai Company announces its annual consolidated financial results for the period ending 31 December 2013 (twelve months)
3	4 February 2014	Append announcement	Almarai Company announces the progress on its integrated poultry farming and production facilities
4	27 February 2014	General Assembly	Almarai Company invites its shareholders to attend the Extraordinary General Assembly Meeting
5	9 March 2014	Investment announcement	Almarai Company announces the purchase of farm land in Arizona, USA, SAR 178.1 million
6	13 March 2014	Notice to shareholders	Almarai Company announce the beginning date of Electronic Voting on the agenda of Extraordinary General Assembly Meeting
7	26 March 2014	General Assembly	Almarai Company invites its shareholders to attend the Extraordinary General Assembly Meeting
8	26 March 2014	Append announcement	Addendum announcement from Almarai Company related to invites its shareholders to the Extraordinary General Assembly Meeting (First Meeting)
9	3 April 2014	General Assembly	Almarai Company announces the results of shareholder Extraordinary General Assembly meeting
10	6 April 2014	Financial results	Almarai Company announces its interim consolidated financial results for the period ended 31 March 2014 (three months)
11	7 April 2014	Notice to shareholders	Almarai Company announces its commitment to work progressively towards the importation of 100% of its agricultural feed requirements
12	5 June 2014	Investment announcement	Almarai Company announces the signature of a Bulk Berth Use Agreement and an Industrial Land Lease Agreement at the King Abdullah Port, KAEC with the Ports Development Company (CJSC) (PDC) in Rabigh
13	22 June 2014	Investment announcement	Almarai Company announces new capital investments in Egypt through Beyti, a subsidiary company of International Dairy & Juice Limited (IDJ)
14	6 July 2014	Financial results	Almarai Company announces its interim consolidated financial results for the period ending on 30 June 2014 (six months)
15	22 September 2014	Notice to shareholders	Almarai announces resignation of a Member of the Board of Directors and the appointment of another Member
16	24 September 2014	Append announcement	Further announcement from Almarai Company regarding working progressively towards the importation of 100% of its agricultural feed requirements
17	25 September 2014	Append announcement	Almarai Company announces change to the previously stated date of announcement of Q3 2014 results
18	12 October 2014	Notice to shareholders	Almarai announces that there has been a fire at one of its bakery plants in Jeddah
19	12 October 2014	Financial Results	Almarai Company announces the interim financial results for the period ending on 30-09-2014 (nine months)
20	12 October 2014	Notice to shareholders	Almarai Company announces that the Board of Directors has mandated the executive management with the priority, as per the Almarai plan, to accelerate the expansion of its facilities in the bakery segment
21	28 December 2014	Cash dividend	Almarai Company announce the distribution of cash dividend for the financial year 2014
22	31 December 2014	Append announcement	Addendum announcement from Almarai Company regarding the fire incident in some of its bakery facilities in Jeddah
23	31 December 2014	Notice to shareholders	Almarai Company announces the renewal of some insurance contracts with the Arabian Shield Cooperative Insurance Company

Risk & Business Continuity

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 number 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 categories in general:

- **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

Other specific risks:

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. All types of risk 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, analysing, managing and controlling, monitoring and reporting risks within the business and therefore is 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 continuity

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 backup 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.

Almarai and its Subsidiaries

Almarai operates its business through a variety of subsidiaries, joint ventures, associates and agency relationships. The Company maintains long term investments and exerts effective control through the full capacity to lead and direct economic performance, financial policies and operational processes. Almarai consolidates its financial operations and results as one business unit issuing Consolidated Financial Statements at the Group level 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	Capital	Ownership Interest				Business Activity	Country of Incorporation	Country of Operation	Shares Issued
		2014		2013					
		Direct (a)	Effective	Direct (a)	Effective				
Almarai Investment Company Limited	SAR 1,000,000	100%	100%	100%	100%	Holding Company	KSA	-	1,000
Almarai Baby Food Company Limited	SAR 200,000,000	100%	100%	100%	100%	Manufacturing and Trading Company	KSA	KSA	20,000,000
Agricultural Input company Limited (Mudkhalat)	SAR 25,000,000	52%	52%	52%	52%	Agricultural Company	KSA	KSA	250
Hail Agricultural Development Company	SAR 300,000,000	100%	100%	100%	100%	Poultry / Agricultural Company	KSA	KSA	30,000,000
International Baking Services Company Limited	SAR 500,000	100%	100%	100%	100%	Dormant	KSA	-	500
International Pediatric Nutrition Company	SAR 41,000,000	100%	100%	50%	50%	Manufacturing Company	KSA	KSA	410,000
Modern Food Industries Limited	SAR 70,000,000	60%	60%	60%	60%	Bakery Company	KSA	KSA	70,000
Nuralac Company Limited	SAR 3,000,000	100%	100%	100%	100%	Trading Company	KSA	KSA	3,000
Western Bakeries Company Limited	SAR 200,000,000	100%	100%	100%	100%	Bakery Company	KSA	KSA	200,000
Agro Terra S.A.	ARS 475,875	100%	100%	100%	100%	Dormant	Argentina	-	475,875
Fondomonte South America S.A.	ARS 418,258,098	100%	100%	-	-	Agricultural Company	Argentina	Argentina	418,258,098
Fondomonte El Descanso S.A.	ARS 80,892,580	100%	100%	100%	100%	Agricultural Company	Argentina	Argentina	80,892,580
Fondomonte Inversiones Argentina S.A.	ARS 66,170,335	100%	100%	100%	100%	Agricultural Company	Argentina	Argentina	66,170,335
Fondomonte Sandoval S.A.	ARS 4,383,432	100%	100%	100%	100%	Agricultural Company	Argentina	Argentina	4,383,432
Almarai Company Bahrain S.P.C.	BHD 100,000	100%	100%	100%	100%	Sales Company	Bahrain	Bahrain	2,000
Almarai International Holding W.L.L.	BHD 250,000	100%	100%	100%	100%	Holding Company	Bahrain	-	2,500
Almarai Investment Holding Company W.L.L.	BHD 250,000	99%	99%	99%	99%	Holding Company	Bahrain	-	2,500
IDJ Bahrain Holding Company W.L.L.	BHD 250,000	100%	52%	100%	52%	Holding Company	Bahrain	-	2,500
International Dairy and Juice Limited	USD 7,583,334	52%	52%	52%	52%	Holding Company	Bermuda	-	7,583,334
International Dairy and Juice (Egypt) Limited	EGP 320,000,000	100%	52%	100%	52%	Holding Company	Egypt	-	32,000,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	EGP 558,000,000	100%	52%	100%	52%	Manufacturing and Trading Company	Egypt	Egypt	55,800,000
Markley Holdings Limited	-	100%	100%	100%	100%	Dormant	Jersey	Jersey	-
Al Muthedoon for Dairy Production	JOD 500,000	100%	52%	100%	52%	Manufacturing Company	Jordan	Jordan	500,000
Al Atheer Agricultural Company	JOD 750,000	100%	52%	100%	52%	Agricultural Company	Jordan	Jordan	750,000
Al Namouthjya for Plastic Production	JOD 250,000	100%	52%	100%	52%	Manufacturing Company	Jordan	Jordan	250,000
Al Rawabi for juice and UHT milk Manufacturing	JOD 500,000	100%	52%	100%	52%	Manufacturing Company	Jordan	Jordan	500,000
Teeba Investment for Developed Food Processing	JOD 49,675,352	100%	52%	100%	52%	Manufacturing Company	Jordan	Jordan	49,675,352
Arabian Planets for Trade and Marketing L.L.C.	OMR 150,000	90%	90%	90%	90%	Sales Company	Oman	Oman	150,000
Alyoum for Food Products Company L.L.C.	OMR 20,000	100%	100%	100%	100%	Sales Company	Oman	Oman	20,000
Fondomonte Inversiones S.L.	EUR 13,000,000	100%	100%	100%	100%	Holding Company	Spain	-	13,000,000
Almarai Emirates Company L.L.C.	AED 300,000 (Unpaid)	100%	100%	100%	100%	Sales Company	UAE	UAE	300
International Dairy and Juice (Dubai) Limited	USD 22,042,183	100%	52%	100%	52%	Holding Company	UAE	UAE	22,042,183
Fondomonte Holding North America L.L.C	USD 50,000	100%	100%	0%	0%	Holding Company	USA	-	50,000
Fondomonte Arizona L.L.C	USD 50,000	100%	100%	0%	0%	Agricultural Company	USA	USA	50,000
Fondomonte California L.L.C	-	100%	100%	0%	0%	Agricultural Company	USA	USA	-

Future Expected Developments

The strategic plan:

On 29th May 2012 Almarai announced approval from its Board of Directors of its 5 year strategic plan for the period 2013- 2017.

The Board has approved the related capital investment plan, exceeding in volume all previous capital investment plans, amounting to SAR 15.7 billion during that period. The plan includes the replacement of existing capital assets as Almarai continues to enhance production capacities in farming, processing, distribution, and transportation. The plan also aims to support existing and new product quality improvement, increase the efficiency of existing resources, and train local manpower. The plan will be financed by Almarai's own resources together with funding opportunities offered by commercial banks, the Saudi Industrial Development Fund, the Saudi Agricultural Fund, and various Sukuks.

The approval of this strategic plan stems from Almarai and its Board of Directors' belief in local investment in the food processing sectors and related distribution facilities, coupled with international investments in sourcing animal feed to achieve food security. During 2014 Almarai has invested approximately SAR 2.7 billion across its operations representing 17.0% of the strategic capital investment objective, striving to support its ongoing effort to establish a solid foundation for the delivery of its strategy to achieve sustainable growth.

Continuation of growth in 2015:

In line with its strategic plan, Almarai expects continuity in its business development and growth during 2015. The Company expects to invest approximately SAR 3.5 billion, representing 22.0% of the strategic capital investment objective. To continue its tradition of excellence Almarai will invest in its core dairy business by further expanding dairy farming and related facilities. Additional investments will be made in order to further enhance capacity in dairy and juice manufacturing and in the bakery segment in order to meet growing consumer demand. Under normal prevailing operational conditions and the relative stability of inputs and raw material prices, provided that no risks and non-controlled financial impacts occur, Almarai expects consolidated sales to grow at a comparable rate to the last two years.

A number of significant events of interest to Shareholders will be announced in the course of the year, as illustrated by the below table:

Important events during 2015

Series	Date	Type of the announcement	Announcement subject
1	During the first half	The General Assembly will be held to approve the Board of Directors report and the financial statements for 2014	
2	During the first half	Maturity and distribution to Shareholders of profits in 2014	
Announcement of financial results			
1	5 to 9 April 2015	Financial Results	Announcement of interim consolidated financial results for Q 1 2015
2	5 to 9 July 2015	Financial Results	Announcement of interim consolidated financial results for Q 2 2015
3	4 to 8 October 2015	Financial Results	Announcement of interim consolidated financial results for Q 3 2015

*The announcement dates for allocated results are preliminary and subject to change according to working conditions and the course of the market

Preparation of Financial Statements

The preparation of the Interim Consolidated Financial Statements, with a limited review report and the Annual Consolidated Financial Statements are issued with an Audit report by External Auditors in accordance with the Accounting Standards issued by the Saudi Organisation 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.

KPMG Al Fozan & Al Sadhan has continued as an external Auditor after the audit and risk committee raised its recommendation by the Board of Directors from among the candidates to audit the accounts for the fiscal year 2014. This includes all financial statements and interim financial statements. The Board of Directors requested the approval of the nomination of KPMG Al Fozan & Al Sadhan and its fees during an Extraordinary General Assembly session in April 2014, during which appointment was approved.

After auditing the Consolidated Financial Statements for the year ended 2014, 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.

Therefore, the Board of Directors of the Saudi Certified Accountants Association, in their seventh meeting of the seventh term held on Thursday 18/07/2013, 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 the 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.

Dividend Policy

As per Article (44) of Almarai bye-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 bye-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 39.2% 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. There are no guarantees to the value and percentage of dividends each year. 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.

The Almarai Board of Directors strives to maintain consistency of cash flow each year 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. Almarai has distributed to its Shareholders around SAR 9,150.0 million since it was listed in the Saudi Stock Market in the form of cash dividends and bonus shares. The cash dividends amounted to SAR 4,050.0 million approximately representing 44.3%,

whereas the bonus shares for capital increase from SAR 750.0 million upon listing to SAR 6,000 million currently representing 55.7% 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	Dividend	Percentage
2005	365.0	-	-
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%
2014	1,674.3	600.0	35.8%
Total		4,050.0	

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	100.0%	Bonus share for every 1 out-standing shares
2012	2,300.0	1,700.0	4,000.0	73.9%	Bonus shares for every 1.352941 standing shares
2013	4,000.0	2,000.0	6,000.0	50.0%	Bonus share for every 2 out-standing shares
Total		5,100.0			

At the Extraordinary General Assembly of 2nd April 2014, Almarai Shareholders approved a dividend distribution of SAR 600.0 million at SAR 1.00 per share for 2013. That was transferred to Shareholders' bank accounts to Shareholders registered records of the Depository Centre at the end of trading on the day of the General Assembly, on 9th April 2014. There were neither arrangements nor agreements under which any of the Shareholders waived his right to profits.

With regard to cash dividends for the year of 2014 the Board of Directors proposes to the General Assembly a dividend of SAR 600.0 million representing 35.8% of the Consolidated Net Profits achieved during the year at SAR 1.00 per share. To be the eligible for cash dividend payment, shareholders records must be registered at the Depository Centre at the end of trading on the day of the General Assembly.

Statutory Payments, Penalties & Sanctions

Statutory payments:

Almarai pays the requisite fees to Saudi Arabian Governmental Units as per various applied Terms & Regulations. These expenses are inherently charged to results of operations. The following table illustrates the Statutory Payments paid or due during the year 2014 with a brief description and related reason.

Statutory Payments made in Saudi Arabia during 2014 (SAR Million) in KSA*

Organisation statutory	2014	2013	Description	The reason
Saudi Customs	115.6	96.5	Amounts paid or charged on the year according to import and export. As customs fees expense.	Government requirement
Department of Zakat and Income Tax	37.3	37.0	Amounts paid or charged on the year according to the provisions and rules of Zakat. As Zakat expense.	Government requirement
General Organisation for Social Insurance	89.6	45.7	Amounts paid or charged on the year according to Labor Law. As social Insurance expense.	Government requirement
Other statutory Organisation	93.0	62.3	Amounts paid or charged on the year according to Several laws. As expenses.	Other Government requirements
Total	335.5	241.5		

* Outside the Kingdom is not major

Penalties and sanctions:

Almarai was not exposed to any penalties, sanctions or precautions from any supervisory, regulatory or judicial unit except the following:

- On May 4, 2014 the Board of the Capital Market Authority issued a decision to impose a fine of (10,000) Ten Thousand Riyals on Almarai Company because it posted its annual financial results for the year 2013 late. The deadline set – the beginning of trading on 19 January 2014 – was missed by less than two hours. The fine was paid on time and the error was discussed during a Board of Directors meeting held on 22 September 2014.
- On 24 November 2014 the Company was fined (150,000) One Hundred and Fifty Thousands Riyals by the Capital Market Authority after the Company missed a mandatory deadline to announce developments pertaining to the Company's poultry expansion project. The announcement also contained inaccurate information pertaining to the partial operations of part of the poultry expansion project. The deadline for the announcement was missed by less than two hours on 8 July 2013. The fine was paid on time and the Executive Management team chose to appeal the decision. Almarai is committed to providing correct and accurate information that reflects the nature of this investment based on higher professional standards that serve the interests of its shareholders. This was why the Company received 'Best Investor Relations in Saudi Arabia' at the Middle East Investor Relations Society Awards, 2014.

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 value and as being entirely consistent with its commitment to quality in all of its processes and products. The rules set out in the Company's Corporate Governance guidelines are mandatory for all Directors and staff of Almarai, and can only be amended by a resolution of the Board of Directors.

Corporate Governance is defined as '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 others, 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. The Board of Directors is responsible for Almarai's Corporate Governance Code.

The shareholders' role in governance is to appoint the directors and 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. Almarai's 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 the Company. 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 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 bye-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.

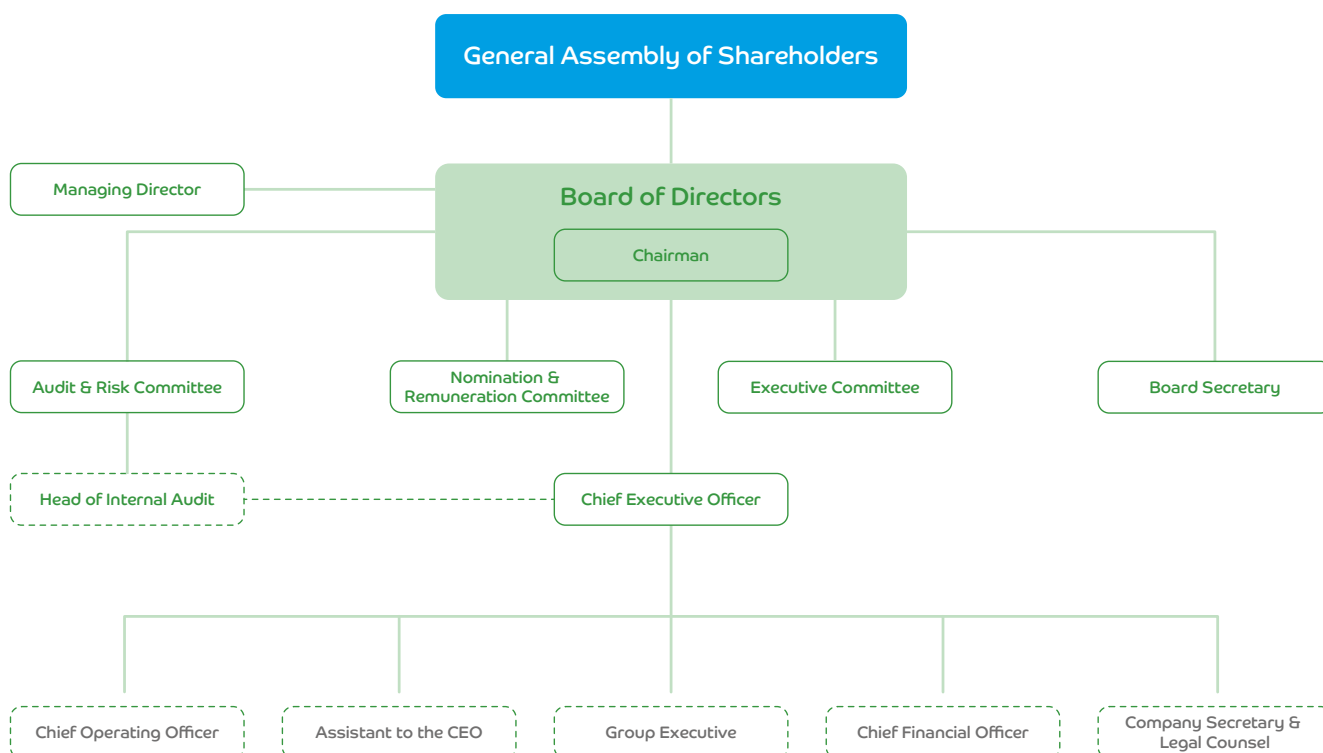
Almarai's governance code incorporates the entire corporate governance code issued by the CMA, except paragraph 'd' (of Article 6) which stipulates that, 'Investors who are judicial persons and who act on behalf of others - e.g. investment funds - shall disclose in their annual reports their voting policies, actual voting and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.' The reason for not including this clause in the Company's governance policy is because Almarai does not have the legal identity to bind investors or persons with legal status who are acting on behalf of others - such as investment funds - to disclose their voting policy.

Rights of Shareholders and the General Assembly

Almarai Articles of Association and Corporate Governance ensure that Shareholders enjoy 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 so long as it does not 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 ensure that the choice of time and venue enables full participation. Further, Almarai adopts the electronic voting system to make it easier

for its Shareholders to exercise their right of voting if they are unable to attend in person.

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 Board Members, 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. 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 within (ten) days from the date of the meeting.



Board of Directors Formation & Functions

Almarai's General Assembly provides for a Board of Directors, comprising nine members. The General Assembly's rules regarding the appointment, resignation, term of office, powers, 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. And that is by:

- Approving the strategic plans and main objectives of the company and supervising their implementation; this includes:
 - Laying down a comprehensive strategy for the company the main work plans and the policy related to risk management, reviewing and updating of such policy.
 - Determining the most appropriate capital structure of the company, its strategies and financial objectives and approving its annual budgets.
- Supervising the main capital expenses of the company and acquisition / disposal of assets.
- Deciding the performance objectives to be achieved and supervising the implementation thereof and the overall performance of the company.
- Reviewing and approving the organisational and functional structures of the company on a periodical basis.
- Laying down rules for internal control systems and supervising them; this includes:
 - Developing a written policy that would regulate conflict of interest and remedy any possible cases of conflict by members of the Board of Directors, executive management and shareholders. This includes misuse of the company's assets and facilities and the arbitrary disposition resulting from dealings with the related parties.
 - Ensuring the integrity of the financial and accounting procedures including procedures related to the preparation of the financial reports.
 - Ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the company could encounter and disclosing them with transparency.
 - Reviewing annually the effectiveness of the internal control systems.
- Drafting a Corporate Governance Code for the company that does not contradict the provisions of this regulation, supervising and monitoring in general the effectiveness of the code and amending it whenever necessary.
- Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly.
- Outlining a written policy that regulates the relationship with stakeholders with a view to protecting their respective rights; in particular, such a policy must cover the following:
 - Mechanisms for indemnifying the stakeholders in the event that their rights are contravened under the law and their respective contracts.

- Mechanisms for settlement of complaints or disputes that might arise between the company and the stakeholders.
 - Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them.
 - A code of conduct for the Company's executives and employees compatible with the proper professional and ethical standards and regulating their relationship with the stakeholders. The Board of Directors lays down procedures for supervising this code and ensuring its compliance.
 - The Company's social contributions.
- Deciding policies and procedures to ensure the company's compliance with the laws and regulations and the company's obligation to disclose material information to shareholders, creditors and other stakeholders.

Almarai's Corporate Governance guidelines stipulate that the Board should include a minimum of 1/3 of independent directors. Any executive may also be a Director upon satisfaction of the relevant legal requirements.

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 Director's names, classification, membership in other joint stock companies, and attendance of the four Board meetings held during 2014, 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 2014:

Board of Directors				
Member Name	Position	Membership status	Membership of joint stock companies Listed / Unlisted	
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman the Board	Non-Executive	Listed	Yamamah Saudi Cement Co., Arabian Shield Cooperative Insurance Company, Al-Tayyar Travel Group Holding Co.
			Unlisted	-
			Listed	-
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Board Member	Non-Executive	Unlisted	Gulf Farabi Petrochemical Co., Swicorp Jousour Company and Integrated Transport Company
			Listed	-
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Managing Director	Executive	Unlisted	Arcapita Bank – Bahrain, Al Jazirah Corporation for Press, Printing and Publishing, Saudi Kuwaiti Finance House
			Listed	The Saudi British Bank, National Industrialization Co., Savola Group
Mr. Suliman Abdulqader Al Muhaideb (A representative of the Savola Group)	Board Member	Non-Executive	Unlisted	Al Muhaideb Group, Swicorp Jousour Company and, Al- Oula Real Estate Development Company, ACWA Power, RAFAL Real Estate Co., MEPCO , ACWA Holding
			Listed	Savola Group, The Saudi Investment Bank, Herfy Food Services Co., Knowledge Economic City
Dr. Abdulraouf Mohammed Mana'a (A representative of the Savola Group) *	Board Member	Non-Executive	Unlisted	Al-Azizia Panda United Company "Panda", Savola Packaging Systems Company, Representing Savola Group
			Listed	Savola Group, Alujain Corporation and Saudi Cable Company
Engr. Abdullah Bin Mohammed Noor Rihaimi (A representative of the Savola Group) **	Board Member	Non-Executive	Unlisted	Al-Azizia Panda United Company "Panda", Savola Packaging Systems Company, Representing Savola Group
			Listed	Savola Group, Banque Saudi Fransi, Yanbu Cement Co., Taiba Holding Co.
Mr. Ibrahim Mohammed Al Issa (A representative of the Savola Group)	Board Member	Non-Executive	Unlisted	Al-Azizia Panda United Company "Panda", Savola Packaging Systems Company, Representing Savola Group
			Listed	Arabian Shield Cooperative Insurance Company, Al-Tayyar Travel Group Holding Co.
Engr. Nasser Mohammed Al Muttawa	Board Member	Independent	Unlisted	Technical Investments Co.
			Listed	Banque Saudi Fransi
Engr. Mosa Omran Mohammed Al Omran	Board Member	Independent	Unlisted	-
			Listed	Herfy Food Services Co., Red Sea Housing Services Company, Fitaihi Holding Group
Dr. Ibrahim Hassan Al Madhon	Board Member	Independent	Unlisted	Al-Obeikan Investment Group

* Dr. Abdulraouf Mohammed Mana'a: Resigned with effect from September 22, 2014

** Engr. Abdullah Bin Mohammed Noor Rihaimi: Was appointed with effect from September 22, 2014, that this appointment is not final and will be presented to the first General Assembly meeting for approval

Meetings of the Board of Directors during 2014

Member Name	Meetings				Attendance Rate
	First 3-Feb	Second 7-Apr	Third 22-Sep	Fourth 28-Dec	
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Attended	Attended	Attended	-	80%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Attended	Attended	Attended	-	80%
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Attended	Attended	Attended	Attended	100%
Mr. Suliman Abdulqader Al Muhaideb	Attended	Attended	Attended	Attended	100%
Dr. Abdulraouf Mohammed Mana'a *	Attended	Attended	-	Was not a member	67%
Engr. Abdullah Bin Mohammed Noor Rihaimi **		Was Not a member		Attended	100%
Mr. Ibrahim Mohammed Al Issa	Attended	Attended	Attended	Attended	100%
Engr. Nasser Mohammed Al Muttawa	-	Attended	Attended	Attended	80%
Engr. Mosa Omran Mohammed Al Omran	Attended	Attended	Attended	Attended	100%
Dr. Ibrahim Hassan Al Madhon	Attended	Attended	Attended	Attended	100%

* Dr. Abdulraouf Mohammed Mana'a: Resigned with effect from September 22, 2014

** Engr. Abdullah Bin Mohammed Noor Rihaimi: Was appointed with effect from September 22, 2014, that this appointment is not final and will be presented to the first General Assembly meeting for approval.

Ownership of Board of Directors Members, Spouses & Minors

The following tables illustrates shares held by Board Members' spouses and minors and any changes which have occurred during 2014. Note that none of them have any interest in debt instruments issued by Almarai and there were no arrangements or agreements by which any of the Board Members waived any salary or compensation.

Ownership of the Members of the Board of Directors

Member Name	Shares				Debt Instruments (SAR)			
	Beginning of the year	Change	End of the year	Percentage	Beginning of the year	Change	End of the year *	Percentage
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	172,173,922	-	172,173,922	0%	-	-	-	-
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	5,217,391	-	5,217,391	0%	-	-	-	-
Mr. Abdulrahman bin Abdulaziz Al Muhanna	1,516,500	(366,500)	1,150,000	-24%	-	-	-	-
Mr. Suliman Abdulqader Al Muhaideb	5,217	-	5,217	0%	-	-	-	-
Dr. Abdulraouf Mohammed Mana'a *	2,608	-	2,608	0%	-	-	-	-
Engr. Abdullah Bin Mohammed Noor Rihaimi **	20,000	-	20,000	0%	-	-	-	-
Mr. Ibrahim Mohammed Al Issa	7,825	2,175	10,000	28%	-	-	-	-
Engr. Nasser Mohammed Al Muttawa	2,608	-	2,608	0%	-	-	-	-
Engr. Mosa Omran Mohammed Al Omran	5,244,192	-	5,244,192	0%	-	-	-	-
Dr. Ibrahim Hassan Al Madhon	6,000	-	6,000	0%	-	-	-	-
Dr. Abdulrahman S. AlTuraigi ***	625	-	625	0%	-	-	-	-

* Dr. Abdulraouf Mohammed Mana'a: Ownership as on September 22 (resigning date)

** Engr. Abdullah Bin Mohammed Noor Rihaimi: Ownership as on September 22 (appointing date)

*** Secretary of the Board of Directors

Ownership of the Spouses and Minor Children

Member Name	Shares				Debt Instruments (SAR)			
	Beginning of the year	Change	End of the year	Percentage	Beginning of the year	Change	End of the year	Percentage
Wife of HH Prince Sultan bin Mohammed bin Saud Al Kabeer	3,774,273	-	3,774,273	0%	-	-	-	-
Wife of Abdulrahman bin Abdulaziz Al Muhanna	15,000	-	15,000	0%	-	-	-	-
Abdulaziz Abdulrahman bin Abdulaziz Al Muhanna	7,500	-	7,500	0%	-	-	-	-
Wife of Mosa Omran Mohammed Al Omran	276,520	-	276,520	0%	-	-	-	-

Ownership of Senior Managers, Spouses & Minors

Ownership of Senior Managers, their spouses and minor children:

The following table illustrates Senior Managers' Spouses and Minor Children's interest in Almarai shares and any changes which have occurred during 2014. None of them have any interest in debt instruments issued by Almarai and there were no arrangements or agreements by which any of the Senior Managers waived any salary or compensation.

Ownership of the Senior Management Disclosure

Member Name	Shares				Debt Instruments (SAR)			
	Beginning of the year	Change	End of the year	Percentage	Beginning of the year	Change	End of the year	Percentage
Abdulrahman Al Fadley*	5,217	-	5,217	-	-	-	-	-
Abdullah Abdulkarim	259	(259)	-	-100%	-	-	-	-
Abdullah Al Bader	156	-	156	-	-	-	-	-
Robert Conkie	-	-	-	-	-	-	-	-
Andrew Mackie	47,644	(47,267)	377	-99%	-	-	-	-
Georges Schorderet	152,000	(152,000)	-	-100%	-	-	-	-
Larus Asgeirsson	-	-	-	-	-	-	-	-
Majed Nofal	-	-	-	-	-	-	-	-
Omar Salim	-	-	-	-	-	-	-	-
Mark Bacon	-	-	-	-	-	-	-	-
Paul - Louis Gay	750	(750)	-	-100%	-	-	-	-
Richard Salisbury	-	-	-	-	-	-	-	-

*HE Engr. Abdul Rahman bin Abdul Mohsen Al-Fadley resigned from his position as CEO on 29th January 2015, after being nominated as Minister of Agriculture for the Kingdom of Saudi Arabia.

Details of Paid Compensation & 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 Committee

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 benefits 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 2014

(SAR '000)	Board of Directors				Highest Paid Five / Including CEO and CFO Executive	
	Executive Board Member	Non Executive/Independent Board Member	2014	2013	2014	2013
Salaries and Compensation	1,386	-	1,386	1,386	8,126	6,564
Allowances	516	171	687	801	1,434	834
Annual and Periodic Bonuses	1,200	1,600	2,800	2,800	14,674	12,889
Incentive Schemes	-	-	-	-	-	-
Compensation or benefits	260	1,360	1,620	1,620	460	460
Total	3,362	3,131	6,493	6,607	24,694	20,747

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 all subcommittees, to ensure that their delegations remain appropriate.

Executive Committee

Almarai's bye-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 Authorized 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'.

The Executive Committee can be subjected to article 13 of Corporate Governance Regulations which necessitate that the composition of the Board Committees is based on the Company's needs and circumstances and to allow the Board of Directors to perform its duties effectively. The committees are formed in accordance with general procedures established by the Board of Directors including: defining the task of the Commission, the duration of its work, the prerogatives given, with the obligation of the Board to follow up the work of these committees periodically to check on the progress of the work entrusted to it. The company's Administration Council decided upon the composition of the Executive Committee and its tasks and responsibilities, which include the following:

- Participate in the development of new strategic plans and evaluate proposals from executive management for such 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 any 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 SAR 150 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 advise 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 2014 the Executive Committee held four meetings. The following table illustrates names, positions, and attendance of the Committee Members:

Executive Committee meetings during 2014

Member Name	Position	Meetings				Attendance Rate
		First 2-Feb	Second 1-Jun	Third 11-Sep	Fourth 8-Dec	
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Chairman	Attended	Attended	Attended	Attended	100%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	Attended	Attended	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	Attended	Attended	100%
Engr. Mosa Omran Mohammed Al Omran	Member	Attended	Attended	Attended	Attended	100%
Dr. Abdulraouf Mohammed Mana'a *	Member	Attended	Attended	-	Was not a member	67%
Engr. Abdullah Bin Mohammed Noor Rihaimi **	Member		Was not a member		Attended	100%
Dr. Ibrahim Hassan Al Madhon	Member	Attended	Attended	Attended	Attended	100%
Mr. Abdulrahman A. Al Fadley ***	Member	Attended	Attended	Attended	Attended	100%
Mr. Christopher Ledwidge	Member	Attended	Attended	Attended	Attended	100%

* Dr. Abdulraouf Mohammed Mana'a: Resigned with effect from September 22, 2014

** Engr. Abdullah Bin Mohammed Noor Rihaimi: Was appointed with effect from September 22, 2014, that this appointment is not final and will be presented to the first General Assembly meeting for approval

*** HE Engr. Abdul Rahman bin Abdul Mohsen Al-Fadley resigned from his position as CEO on 29th January 2015, after being nominated as Minister of Agriculture for the Kingdom of Saudi Arabia

Audit & Risk Committee

The Board of Almarai has initiated the composition of the Audit and Risk Committee, which is a legal requirement as detailed in Article (14) of the Corporate Governance Regulations issued by the Capital Market Authority (CMA). The Extraordinary General Meeting of the Shareholders approved and issued rules to select the members of the Audit and Risk committee and the duration of their membership. Shareholders initially approved the working style of the Commission on 27 March 2007, which was based on a proposal from the Almarai Board. Amendments were made to these guidelines at the Extraordinary General Assembly held in April 2013.

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 annual 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 enhancements 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 auditors' 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.

In general, the Committee has authority to investigate any activity within its terms of reference or any matters specifically requested by the Board. The Committee has unrestricted access to all records and staff of Almarai (including internal audit) and the external auditors. The Committee is authorized by the Board to obtain outside legal or other independent professional advice as necessary to assist the Committee. The Committee shall consider at each meeting whether any failures of risk management, internal control or compliance matters (that are brought to the Committee's attention) are significant and should be

immediately reported to the Board. Any suspected serious frauds and irregularities shall be immediately reported by the Management to the Head of Internal Audit or the Audit & Risk Committee depending upon their severity.

To ensure the independence of the work of the Audit and Risk Committee, each of the Directors involved in the Internal Audit process and interacting with the auditor communicates directly with the Committee, without any intermediary. The Committee is formed according to the following rules:

- 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.

During 2014 the Audit & Risk Committee held five meetings. The following table illustrates names, positions and attendance of the Committee Members:

Audit and Risk Committee meetings during 2014

Member Name	Position	Meetings					Attendance Rate
		First 22-Feb	Second 6-Apr	Third 1-Jun	Fourth 21-Sep	Fifth 8-Dec	
Dr. Abdulrahman AlTuraigi	Chairman	Attended	Attended	Attended	Attended	Attended	100%
Dr. Muhammad A. H. Ikhwan	Member	Attended	Attended	Attended	Attended	Attended	100%
Dr. Ibrahim Hassan Al Madhon	Member	Was not a member	-	-	Attended	Attended	50%
Mr. Farraj Abo Thenian	Member	Attended	Attended	-	Attended	Attended	80%
Mr. Sulaiman N. Alhatlan	Member	-	Attended	Attended	Attended	Attended	80%

Results of Annual Internal Audit Procedures

The basic functions of the Board of Directors include:

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

The Board of Directors is committed to ensuring 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:

- Assisting the Board of Directors (through the Audit & Risk Committee) in protecting and securing the benefits of Almarai and its Subsidiary Companies.
- Informing the CEO and the Audit & Risk Committee of the audit results and comments and reviewing topics that the Internal Audit feels are of potential interest to the Company and provide copies of relevant reports to both the Audit & Risk Committee and the CEO.

- Agreement with the CEO and the Audit & Risk Committee on the annual audit scope to guarantee coverage of all potential risks to Almarai and its Subsidiary Companies.
- Informing the Audit & Risk Committee of the risk management inside Almarai and its Subsidiary Companies.
- Assisting Almarai Management in the commercial and quality assessment of operations to guarantee their effectiveness and efficacy.
- Investigation into specific issues brought to it by Almarai Management or the Audit & Risk Committee.
- Creating a confidential communications channel with Almarai employees and others to raise their concerns on issues pertaining to privacy.

From the above, it is clear that there are different levels of responsibility and reporting lines involved in the efficient running of the Risk Management systems at 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 of the extent 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 the following in respect of the year of 2014:

- 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 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.
- Review and make recommendations to the Board on the remuneration of Directors, inclusive of Directors fees, salaries, benefits, incentive payments, 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.

Nomination & 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 Board, and to develop clear policies for the remuneration of the Board of Directors and senior executives of the company and its subsidiaries, review the structure of the Board of Directors, identify weaknesses and strengths of the members of the Board, ensure the independence of the independent members (annually) 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 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.
- 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 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 recommendations to the Board on the remuneration including short and long term incentives, for the CEO and associated performance targets for the CEO.
- Review and approve recommendation from the CEO on the remuneration of senior executives reporting to the CEO.
- Review performance targets for senior executives reporting to the CEO.

- Review human resource and remuneration policies and practices for the Company, as brought forward by the CEO and where appropriate recommend adoption by the Board.
- Review management succession planning for the company in general but specifically with regard to the Board, CEO and senior executives reporting to the CEO.
- Review and approve recommendations from the CEO on the appointments and terminations of senior executive positions reporting to the CEO with the exception of the CFO 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 senior executives; in laying down such policies, the standards related to performance shall be followed.

During 2014 the Nomination and Remuneration Committee held 2 meetings. The following table illustrates names, positions, and attendance of the Committee Members:

Nomination and Remuneration Committee meetings during 2014

Member Name	Position	Meetings		Attendance Rate
		First 1-Jun	Second 21-Sep	
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman	Attended	Attended	100%
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Member	Attended	Attended	100%
Engr. Mosa Omran Mohammed Al Omran	Member	Attended	Attended	100%
MR. Abdulrahman A. Al Fadley	Member	Attended	Attended	100%

* HE Engr. Abdul Rahman bin Abdul Mohsen Al-Fadley resigned from his position as CEO on 29th January 2015, after being nominated as Minister of Agriculture for the Kingdom of Saudi Arabia.

Related Party Transactions

The written policy for conflict of interest within Almarai's Corporate Governance Code governs conflicts of interest and addresses possible conflict situations for Directors, Executives, and Shareholders. The General

Assembly shall be notified of any conflict of interest where requests for approval shall be raised.

During the normal course of its operations in 2014, Almarai had the following significant transactions with related parties on an 'arm's length basis':

Nature of Transaction (SAR'000)	Transaction Amount		Balance At 31 December	
	2014	2013	2014	2013
Sales to				
Azizia Panda United	421,771	422,438	74,266	68,578
International Pediatric Nutrition Company Limited	-	4,502	-	2,373
	421,771	426,940	74,266	70,951
Purchases From				
Savola Packaging Systems Co.Ltd	166,745	117,905	(26,218)	(34,958)
United Sugar Company	105,228	88,466	(7,622)	(8,871)
Afia International Company	3,776	9,633	(78)	(1,616)
International Pediatric Nutrition Company Limited	1,860	19,876	-	-
Al Kabeer Farms – Forage	34,906	45,479	(2,163)	6,117
	312,515	281,359	(36,081)	(39,328)
Services From				
Arabian Shield Cooperative Insurance Co.	66,025	53,893	214,038	296
Todhia Farm	2,564	813	(5)	1,746
Abdul Aziz Al Muhanna (Land Rent)	173	173	-	-
United Farmers Holding Company Limited	-	-	648	265
	68,762	54,879	214,681	2,307
Payment of Sukuk Finance Charges				
Yamama Cement Company	962	489	(240)	(240)
Arabian Shield Cooperative Insurance Co.	61	61	(19)	(19)
	1,023	550	(259)	(259)
Services To				
Al Kabeer Farms	864	864	-	-
	864	864	-	-
Dividend Received				
Purebreed Company	1,250	2,336	-	-
	1,250	2,336	-	-

Dealings during 2014

The following significant related party transactions during the year of 2014 require approval from the General Assembly:

Dealings during the year 2014				
Member	Nature of Dealing	Amount SAR '000	Period	Conditions
Chairman / HH Prince Sultan bin Mohammed Bin Saud Al Kabeer				
Al Kabeer Farms - Forage	Management Contract	864	One Year	Commercial condition prevailing in the market
Al Kabeer Farms - Forage	Procurement Feed	34,906	One Year	Commercial condition prevailing in the market
Rental Thodhia farm - Dairy	Lease Contract	2,564	One Year	Commercial condition prevailing in the market
Yamama Cement Company	Invest in Instruments	50,000	2013 : 2018	Commercial condition prevailing in the market
Yamama Cement Company	Payment of Sukuk Finance Charges	962	2013 : 2018	Commercial condition prevailing in the market
Chairman / HH Prince Sultan bin Mohammed Bin Saud Al Kabeer and Engr. Nasser Mohammed Al Muttawa				
Arabian Shield Cooperative Insurance Co.	Insurance	66,025	2014	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Co.	Insurance	83,771	2015	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Co.	Invest in Instruments	3,000	2012 : 2019	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Co.	Payment of Sukuk Finance Charges	61	2012 : 2019	Commercial condition prevailing in the market
Mr. Abdul Aziz Ibrahim Al Muhanna				
Rent of Land For Distribution Centre in Sharjah	Lease Contract	173	2001 : 2021	Commercial condition prevailing in the market
Savola Group				
Azizia Panda United	Product Sales	421,771	One Year	Commercial condition prevailing in the market
Savola Packaging Systems Co. Ltd.	Packaging Purchasing	166,745	One Year	Commercial condition prevailing in the market
United Sugar Co.	Sugar Purchasing	105,228	One Year	Commercial condition prevailing in the market
Afia International	Soya Bean Oil Purchasing	3,776	One Year	Commercial condition prevailing in the market

Disclosure and Transparency Policy

Almarai always seeks to provide accurate, regularly updated information to all its stakeholders and other interested parties. This Policy reflects Almarai's current activities and is updated as those activities change. It also adjusts as social media and electronic information sharing evolves. Almarai publishes regularly updated information about its corporate structure and operations, partners, investments and other commercial activity and performance-related information. As a publicly listed company, Almarai recognizes its obligation to respond to legitimate questions from consumers, customers, government, the media and other stakeholders.

Information disclosed by Almarai in accordance with this Policy is available on various websites including the Company's website: www.almarai.com and the Saudi Stock Exchange website (TADAWUL): www.tadawul.com.sa

The following information is updated and published annually or as required by law, rules and regulations. This is not an exhaustive list – other useful information is also disclosed as required.

- Board Members
- Board Committee Membership
- Board Reports
- Quarterly Reports and Accounts
- Annual Reports and Accounts
- Accounting Policies
- Related Party Transactions
- Review of Principal Activities
- Auditors Report

Almarai will not routinely publish information in the following circumstances:

- Where disclosure would, or would be likely to, prejudice the commercial interests of Almarai, its business partners or other third parties, and where the public interest in disclosure does not outweigh the public interest in maintaining the exemption.
- Information which has been given to Almarai in confidence, and where disclosure could give rise to an action for breach of confidence.
- Personal information about Almarai employees, Board Members or other individuals where to do so may be in breach of data protection principles.
- Information where disclosure would, or would be likely to, prejudice the investigation, prevention or detection of crime, or the administration of justice.
- Information subject to legal privilege.

Historic information:

The information Almarai publishes on its website is mainly current information, though some historic information is available, for example previous Annual Reports.

Contact the company:

Almarai provides related parties with the opportunity to communicate with investor relations by e-mail: investor.relations@almarai.com

For other matters, Almarai can be reached by telephone on:

8001246688 or 4536688 (11) (+966)

Or e-mail at:

info@almarai.com

For more information, visit the company's website:

www.almarai.com

Board of Directors Certification

The Board of Directors has taken care to ensure the professional performance of the Company during 2014, and certifies the following:

- There are no equity shares or debt instruments belonging to subsidiaries.
- There were no convertible debt instruments or any securities or contractual rights of initial public offering or similar rights issued or granted by Almarai during 2014, and there was no compensation obtained by Almarai in return.
- There were no rights of conversion or initial public offering under convertible debt instruments or any securities or contractual rights of initial public offering or similar rights issued or granted by Almarai during 2014.
- No redemption, purchase, or cancellation by Almarai or any of its Subsidiaries of any redemption of debt instruments occurred during 2014.
- There were no substantial operational conflicts of interest during 2014 other than what has been disclosed.
- We did not receive a request from the External Auditors for a meeting of the General Assembly during 2014.
- We did not receive a request from shareholders owning 5% or more of the Company's share capital to call a meeting of the General Assembly during 2014.
- There was no procedure that might lead to obstruction of the shareholders' rights of voting.
- There were no significant events affecting the integrity of the financial position of the Company after the Financial Year 2014 requiring disclosure other than information that is available and declared.
- The Company did not provide loans or credit facilities to any member of the Board of Directors.
- Proper books of account have been maintained.
- The System of Internal Control is sound and has been effectively implemented.
- There are no significant doubts concerning Almarai's 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 2014, to attach the Consolidated Financial Statements with an Auditor's Report. We recommend that the General Assembly approves the Board of Directors' Report, the Consolidated Financial Statements, and the Auditor's Report. The place and time of the General Assembly Meeting and any other items in the agenda will be announced at a later date.

Board of Directors
February 2015



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Almarai



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Almarai





Consolidated Financial Statements

**KPMG Al Fozan & Al Sadhan**

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License No. 46/11/323 issued 11/3/1992

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 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 33 which form an integral part of the consolidated 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 by-laws and for such internal control as management determines is 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 consolidated 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 control 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 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 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.

KPMG Al Fozan & Al Sadhan, a partnership registered in Saudi Arabia and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.




Opinion

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

- 1) Present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, 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 Company's by-laws with respect to the preparation and presentation of consolidated financial statements.

For KPMG Al Fozan & Al Sadhan


Abdullah H. Al Fozan
License No. 348

Date: 27 Rabi Al-Awal 1436H
Corresponding to: 18 January 2015



Consolidated Balance Sheet as at 31 December 2014

	Notes	2014 SAR '000	2013 SAR '000
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	796,787	1,810,516
Receivables and Prepayments	6	1,344,460	978,086
Inventories	7	2,769,050	2,545,315
Derivative Financial Instruments	26	1,275	14,328
Total Current Assets		4,911,572	5,348,245
NON CURRENT ASSETS			
Investments	8	324,980	479,075
Property, Plant and Equipment	9	16,176,354	15,028,012
Biological Assets	10	1,069,912	992,350
Intangible Assets - Goodwill	11	1,350,165	1,310,126
Derivative Financial Instruments	26	1,712	11,987
Prepayment	6	114,156	-
Deferred Tax Asset		64	1,577
Total Non Current Assets		19,037,343	17,823,127
TOTAL ASSETS		23,948,915	23,171,372
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Bank Overdraft		143,631	104,804
Short Term Loans	12	115,530	169,100
Current Portion of Long Term Loans	12	1,562,181	1,409,066
Payables and Accruals	13	2,107,315	1,988,591
Derivative Financial Instruments	26	114,277	48,902
Total Current Liabilities		4,042,934	3,720,463
Non Current Liabilities			
Long Term Loans	12	7,737,026	8,180,302
End of Service Benefits		408,073	340,045
Deferred Tax Liability		84,394	119,985
Derivative Financial Instruments	26	45,556	46,389
Total Non Current Liabilities		8,275,049	8,686,721
TOTAL LIABILITIES		12,317,983	12,407,184
EQUITY			
Share Capital	14	6,000,000	6,000,000
Statutory Reserve		1,230,572	1,063,138
Other Reserves		(466,898)	(188,585)
Treasury Shares	16	(146,386)	(146,386)
Retained Earnings		2,569,564	1,714,303
Equity Attributable to Shareholders		9,186,852	8,442,470
Perpetual Sukuk	15	1,700,000	1,700,000
Equity Attributable to Equity Holders of the Company		10,886,852	10,142,470
Non Controlling Interest		744,080	621,718
TOTAL EQUITY		11,630,932	10,764,188
TOTAL LIABILITIES AND EQUITY		23,948,915	23,171,372

* The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

Consolidated Statement of Income for the Year ended 31 December 2014

	Notes	2014 SAR '000	2013 SAR '000
Sales	17	12,605,565	11,219,182
Cost of Sales	18	(8,070,530)	(7,256,450)
Gross Profit		4,535,035	3,962,732
Selling and Distribution Expenses	19	(2,246,220)	(1,870,466)
General and Administration Expenses	20	(338,701)	(295,660)
Operating Income		1,950,114	1,796,606
Share of Results of Associates and Joint Ventures	8	(8,158)	(29,967)
Other Income	21	20,897	-
Finance Cost, net		(207,875)	(224,282)
Income from Main Operations		1,754,978	1,542,357
Zakat and Foreign Income Tax	22	(71,069)	(41,985)
Income before Non Controlling Interest		1,683,909	1,500,372
Non Controlling Interest		(9,570)	1,835
Net Income for the Year		1,674,339	1,502,207
Earnings per Share (SAR), based on Income from Main Operations	23		
- Basic		2.86	2.56
- Diluted		2.84	2.55
Earnings per Share (SAR), based on Net Income for the Year	23		
- Basic		2.72	2.50
- Diluted		2.70	2.48

* The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows for the Year ended 31 December 2014

	Notes	2014 SAR '000	2013 SAR '000
OPERATING ACTIVITIES			
Net Income for the Year		1,674,339	1,502,207
Adjustments for:			
Depreciation of Property, Plant and Equipment	24	1,223,820	1,153,466
Depreciation of Biological Assets	24	230,086	177,154
Finance Cost, net		207,875	224,282
Zakat and Foreign Income Tax Accrued	22	71,069	41,985
Profit on Sale of Property, Plant and Equipment	24	(10,077)	(9,926)
Loss on Sale of Biological Assets	24	57,590	46,962
Share of Results of Associates and Joint Ventures	8	8,158	29,967
Other Income	21	(20,897)	-
Provision for End of Service Benefits		95,214	62,709
Share Based Payment		10,687	8,532
Non Controlling Interest		9,570	(1,835)
		3,557,434	3,235,503
Changes in:			
Receivables and Prepayments		(187,816)	(191,848)
Inventories		(216,719)	(239,126)
Payables and Accruals		110,317	(172,182)
Cash Generated from Operating Activities		3,263,216	2,632,347
End of Service Benefits Paid		(27,188)	(9,720)
Zakat and Foreign Income Tax Paid	22	(37,265)	(37,006)
Net Cash Generated from Operating Activities		3,198,763	2,585,621
INVESTING ACTIVITIES			
Acquisition of Subsidiaries, Net of Cash Acquired	4	(13,160)	-
Investment in Associates and Joint Ventures, net	8	65,869	(234,936)
Dividend received from Associates	8	1,875	2,366
Additions to Property, Plant and Equipment	9	(2,740,449)	(2,798,909)
Proceeds from the Sale of Property, Plant and Equipment	24	50,693	44,682
Additions to Biological Assets	10	(79,766)	(79,644)
Appreciation of Biological Assets	24	(439,762)	(393,118)
Proceeds from the Sale of Biological Assets	24	154,239	157,308
Prepayment	6	(114,156)	-
Net Cash Used in Investing Activities		(3,114,617)	(3,302,251)
FINANCING ACTIVITIES			
Increase in Loans, net		(343,682)	1,166,104
Bank Overdraft, net		38,827	104,804
Dividends Paid		(598,275)	(498,522)
Finance Cost Paid, net		(240,168)	(261,835)
Purchase of Treasury Shares		-	(51,104)
Proceeds from Issuance of Perpetual Sukuk		-	1,700,000
Perpetual Sukuk Issuance Costs		-	(9,918)
Payment of Profit on Perpetual Sukuk		(51,648)	-
Transactions with Non Controlling Interests		112,792	(34,416)
Net Cash (Used In) / Generated from Financing Activities		(1,082,154)	2,115,113
Currency Translation Impact on Cash and Cash Equivalents		(15,721)	(5,271)
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,013,729)	1,393,212
Cash and Cash Equivalents at 1 January		1,810,516	417,304
Cash and Cash Equivalents at 31 December	5	796,787	1,810,516

* The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

Consolidated Statement Of Changes In Equity for the Year ended 31 December 2014

	Share Capital	Statutory Reserve	Other Reserves	Treasury Shares	Retained Earnings	Equity	Perpetual Sukuk	Equity	Non	Total Equity
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2013	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)
Net Movement in Fair Value of Available for										
Sale Investments	-	-	32,145	-	-	32,145	-	32,145	-	32,145
Net Movement on Cash Flow Hedges	-	-	(933)	-	-	(933)	-	(933)	-	(933)
Bonus Shares Issued	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer for the Year	-	150,221	-	-	(150,221)	-	-	-	-	-
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
Perpetual Sukuk Issuance Costs	-	-	-	-	(9,918)	(9,918)	-	(9,918)	-	(9,918)
Profit on Perpetual Sukuk	-	-	13,012	-	(13,012)	-	-	-	-	-
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
Net Income for the Year	-	-	-	-	1,674,339	1,674,339	-	1,674,339	9,570	1,683,909
Dividend Declared	-	-	-	-	(600,000)	(600,000)	-	(600,000)	-	(600,000)
Net Movement in Fair Value of Available for										
Sale Investments	-	-	(65,439)	-	-	(65,439)	-	(65,439)	-	(65,439)
Net Movement on Cash Flow Hedges	-	-	(87,870)	-	-	(87,870)	-	(87,870)	-	(87,870)
Transfer for the Year	-	167,434	-	-	(167,434)	-	-	-	-	-
Foreign Currency Translation Differences	-	-	(135,687)	-	-	(135,687)	-	(135,687)	-	(135,687)
Share Based Payment Transactions	-	-	10,687	-	-	10,687	-	10,687	-	10,687
Profit on Perpetual Sukuk	-	-	51,644	-	(51,644)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	(51,648)	-	-	(51,648)	-	(51,648)	-	(51,648)
Transaction with Non Controlling Interests	-	-	-	-	-	-	-	-	112,792	112,792
Balance at 31 December 2014	6,000,000	1,230,572	(466,898)	(146,386)	2,569,564	9,186,852	1,700,000	10,886,852	744,080	11,630,932

* The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

Notes To The Consolidated Financial Statements for the Year ended 31 December 2014

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 Dul 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's Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia ("Saudi Arabia").

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, other Gulf Cooperation Council ("GCC") countries, Egypt and Jordan.

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 ("WB") and Modern Food Industries Company Limited ("MFI"), a joint venture, 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.

Infant Nutrition products are manufactured by International Pediatric Nutrition Company ("IPNC") under "Enfamil", "Enfagrow", "Nuralac" and "Evolac" brands. IPNC is a limited liability company registered in Saudi Arabia.

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 Trading and Marketing L.L.C. and Alyoum for Food Products Company L.L.C.

The Group owns and operates arable farms in Argentina ("Fondomonte Argentina") through its subsidiary Almarai Investment Holding Company W.L.L. ("AIHC"), incorporated in Bahrain. The Group manages these operations through Fondomonte South America S.A, incorporated in Argentina.

The Group owns and operates milk production, processing and dairy food manufacturing in Egypt and Jordan through its subsidiary AIHC. 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

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. On 7 Rabi Al-Awal 1435 A.H. (8 January 2014) the Company received regulatory approvals with respect to the acquisition of shares in IPNC held by Mead Johnson, as a result of which IPNC became a wholly owned subsidiary of the Group. Consequently, the Company has consolidated IPNC in the current year.

On 5 Jamada Al-Awal 1435 A.H. (6 March 2014) the Group purchased 9,834 acres of farm land for USD 47.5 million (SAR 178.1 million) through its wholly owned subsidiaries Fondomonte Holdings North America L.L.C. ("FHNA") and Fondomonte Arizona L.L.C. which were incorporated as limited liability companies in the United States of America for the purpose of acquiring land to secure supply of animal feed.

On 17 Shawal 1435 A.H. (13 August 2014) a new company Fondomonte California L.L.C. was incorporated as a limited liability company in the United States of America, which is a wholly owned subsidiary of FHNA, for the purpose of acquiring land to secure supply of animal feed.

Details of the subsidiary companies

Name of Subsidiary	Country of Incorporation	Business Activity
Almarai Investment Company Limited	Saudi Arabia	Holding Company
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing and Trading Company
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
International Baking Services Company Limited	Saudi Arabia	Dormant
International Pediatric Nutrition Company	Saudi Arabia	Manufacturing Company
Modern Food Industries Company Limited	Saudi Arabia	Bakery Company
Nourlac Company Limited	Saudi Arabia	Trading Company
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Agro Terra S.A.	Argentina	Dormant
Fondomonte South America S.A. (b)	Argentina	Agricultural Company
Fondomonte El Descanso S.A. (b)	Argentina	Agricultural Company
Fondomonte Inversiones Argentina S.A. (b)	Argentina	Agricultural Company
Fondomonte Sandoval S.A. (b)	Argentina	Agricultural Company

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

(b) Fondomonte Inversiones Argentina S.A. and Fondomonte Sandoval S.A. were merged into Fondomonte El Descanso S.A. with effect from 7 Dul Hijjah 1435 A.H. (1 October 2014). Upon merger, Fondomonte El Descanso S.A. changed its name to Fondomonte South America S.A.; the regulatory filing for change in name has been made and is currently pending final certification.

Name of Subsidiary	Country of Incorporation	Business Activity
Almarai Company Bahrain S.P.C.	Bahrain	Sales Company
Almarai International Holding W.L.L.	Bahrain	Holding Company
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company
International Dairy and Juice Limited	Bermuda	Holding Company
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company
Markley Holdings Limited	Jersey	Dormant
Al Muthedoon for Dairy Production	Jordan	Manufacturing Company
Al Atheer Agricultural Company	Jordan	Agricultural Company
Al Namouthjya for Plastic Production	Jordan	Manufacturing Company
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company
Arabian Planets for Trading and Marketing L.L.C.	Oman	Sales Company
Alyoum for Food Products Company L.L.C.	Oman	Sales Company
Fondomonte Inversiones S.L.	Spain	Holding Company
Almarai Emirates Company L.L.C.	United Arab Emirates	Sales Company

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

Name of Subsidiary	Country of Incorporation	Business Activity
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company
Fondomonte Holding North America L.L.C.	United States of America	Holding Company
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company
Fondomonte California L.L.C.	United States of America	Agricultural Company

(b) Direct ownership means directly owned by the Company or any of its subsidiaries.

Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued
	2014		2013			
	Direct (a)	Effective	Direct (a)	Effective		
SAR	100%	100%	100%	100%	SAR 1,000,000	1,000
SAR	100%	100%	100%	100%	SAR 200,000,000	20,000,000
SAR	52%	52%	52%	52%	SAR 25,000,000	250
SAR	100%	100%	100%	100%	SAR 300,000,000	30,000,000
SAR	100%	100%	100%	100%	SAR 500,000	500
SAR	100%	100%	50%	50%	SAR 41,000,000	410,000
SAR	60%	60%	60%	60%	SAR 70,000,000	70,000
SAR	100%	100%	100%	100%	SAR 3,000,000	3,000
SAR	100%	100%	100%	100%	SAR 200,000,000	200,000
ARS	100%	100%	100%	100%	ARS 475,875	475,875
ARS	100%	100%	-	-	ARS 418,258,098	418,258,098
ARS	100%	100%	100%	100%	ARS 80,892,580	80,892,580
ARS	100%	100%	100%	100%	ARS 66,170,335	66,170,335
ARS	100%	100%	100%	100%	ARS 4,383,432	4,383,432

Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued
	2014		2013			
	Direct (a)	Effective	Direct (a)	Effective		
BHD	100%	100%	100%	100%	BHD 100,000	2,000
BHD	100%	100%	100%	100%	BHD 250,000	2,500
BHD	99%	99%	99%	99%	BHD 250,000	2,500
BHD	100%	52%	100%	52%	BHD 250,000	2,500
USD	52%	52%	52%	52%	USD 7,583,334	7,583,334
EGP	100%	52%	100%	52%	EGP 320,000,000	32,000,000
EGP	100%	52%	100%	52%	EGP 558,000,000	55,800,000
GBP	100%	100%	100%	100%	-	-
JOD	100%	52%	100%	52%	JOD 500,000	500,000
JOD	100%	52%	100%	52%	JOD 750,000	750,000
JOD	100%	52%	100%	52%	JOD 250,000	250,000
JOD	100%	52%	100%	52%	JOD 500,000	500,000
JOD	100%	52%	100%	52%	JOD 49,675,352	49,675,352
OMR	90%	90%	90%	90%	OMR 150,000	150,000
OMR	100%	100%	100%	100%	OMR 20,000	20,000
EUR	100%	100%	100%	100%	EUR 13,000,000	13,000,000
AED	100%	100%	100%	100%	AED 300,000 (Unpaid)	300

Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued
	2014		2013			
	Direct (a)	Effective	Direct (a)	Effective		
USD	100%	52%	100%	52%	USD 22,042,183	22,042,183
USD	100%	100%	-	-	USD 500,000	50,000
USD	100%	100%	-	-	USD 500,000	50,000
USD	100%	100%	-	-	-	-

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

(a) These 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) These consolidated financial statements include assets, liabilities and the results of the operations of the Company and its Subsidiaries, as set out in note (1). The Company and its Subsidiaries are collectively referred to as the Group. A subsidiary company is that in which the Group has the power to govern the financial and operating policies 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.

(c) 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.

(d) These consolidated financial statements are presented in Saudi Riyal ("SAR"), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. When necessary, prior year comparatives have been regrouped to conform to current year presentation.

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 when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. 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

Associates are those entities in which the Group exercise significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. Joint Ventures are those entities over whose activities the Group has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decisions. The investments in associates and joint ventures are accounted for under the equity method of accounting. These Investments are initially recognised at cost and subsequently adjusted by the post-acquisition changes in the Group's share in net assets of the investee less any impairment in value. When the Group's share of losses arising from these investments equals or exceeds its interest in the investee, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee.

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 appropriate, objective and reliable measure 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.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

F. Biological Assets

Biological assets acquired are stated at cost of purchase and biological assets reared internally are stated at the cost of rearing or growing to the point of commercial production (termed as appreciation), less accumulated depreciation and accumulated impairment loss. 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 values over periods ranging from 36 weeks to 70 years as summarized below:

Dairy Herd	4 Lactation cycles
Plantations	22 – 70 years
Poultry Flock	24 – 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 immediately 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 reversed.

H. Intangible Assets - Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the fair value of net assets of the business acquired 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 accordance with Saudi Department of Zakat and Income Tax ("DZIT") regulations. Income tax for foreign entities is provided for 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.

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.

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 classified as cash flow hedges and effective portion of the fair value gains / losses arising on revaluation of hedging instruments are recognized directly in equity under other reserves. 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 bye-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 directly in equity under other reserves.

P. Treasury Shares

Own equity instruments are purchased (treasury shares), for discharging obligations under the Employee Stock Participation Programme. These treasury shares are recognised at cost of purchase (including any directly attributable cost) and are presented as a deduction from equity attributable to shareholders, until the treasury shares are de-recognised i.e. cancelled, reissued or disposed. Any gain or loss upon de-recognition is recognised as share premium or discount.

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

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 SAR 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 Subsidiaries are translated into 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.

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 it is a virtually certain that the grants 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 term 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.

4. Business Combination Achieved in Stages

On 7 Rabi Al-Awal 1435 A.H. (8 January 2014) the Company completed the acquisition of shares of International Pediatric Nutrition Company ("IPNC") held by Mead Johnson, for an agreed value of SAR 15.0 million. These consolidated financial statements include the results of IPNC from 9 January 2014, as the Company effectively obtained control of IPNC from that date. If the combination had taken place at the beginning of the year, the net operating income would have been higher by SAR 0.1 million and the net income of the Group would have been higher by SAR 0.1 million.

After this acquisition, the objective of IPNC remains to address the Infant Nutrition products market opportunity in the GCC and the wider Arab world. The acquisition will provide greater flexibility in the commercialisation process fully leveraging the existing processes and systems. The goodwill resulting from the transaction is driven by the strong market potential in this product category, including the potential to extend the reach and scope of existing products and introduce new products or brands without incurring significant investment, the expertise in marketing of Infant Nutrition products and the expertise to operate a state-of-art Infant Nutrition manufacturing facility.

The re-measurement to fair value of the Group's existing 50% interest in IPNC resulted in a one-time gain of SAR 20.9 million.

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

	Fair Value on Acquisition at 8 January 2014
	SAR '000
Goodwill on Acquisition	
Assets Acquired:	
Cash and Cash Equivalents	1,856
Trade Receivables & Prepayments	5,605
Inventories	6,957
	14,418
Liabilities Acquired:	
Payables and Accruals	5,297
Due to Almarai	20,882
	26,179
Total Acquisition Cost	30,032
Goodwill	41,793
Total Acquisition Cost:	
Cash Consideration	15,016
Fair Value of Previously Held Equity Interest	15,016
Total	30,032
Cash Outflow on Acquisition:	
Net Cash Acquired with the Subsidiary	1,856
Cash Paid	(15,016)
Net Cash Outflow	(13,160)

5. Cash and Cash Equivalents

	2014	2013
	SAR '000	SAR '000
Cash in Hand	362,366	254,925
Cash at Bank	117,959	101,164
Bank Deposits	316,462	1,454,427
Total	796,787	1,810,516

6. Receivables and Prepayments

	2014	2013
	SAR '000	SAR '000
Trade Receivables		
Third Parties	717,695	632,129
Related Parties (Refer note 29)	74,993	79,375
	792,688	711,504
Less: Allowance for impairment of trade receivables (Refer (a) below)	(49,665)	(45,415)
Less: Allowance for sales returns	(15,677)	(26,958)
Net Trade Receivables	727,346	639,131
Prepayments (Refer (d) below)	345,769	274,685
Other Receivables	57,391	64,270
Insurance Claim Receivable (Refer note 21)	213,954	-
Total	1,344,460	978,086

(a) Movement in allowance for impairment of trade receivables is as follows:

	2014	2013
	SAR '000	SAR '000
Allowance for Impairment of Trade Receivables		
Balance at 1 January	45,415	38,939
Allowance made during the Year	4,250	6,476
Balance at 31 December	49,665	45,415

	2014	2013
	SAR '000	SAR '000
Trade Receivables		
Up to 3 months	743,023	666,089
More than 3 months	49,665	45,415
Total	792,688	711,504

(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.

(d) During 2014 the subsidiary in Argentina entered into an operating lease agreement for agricultural land for a term of 40 years. The subsidiary has made a prepayment of lease rentals, of which the long term portion amounting to SAR 114.2 million has been classified under Non Current Assets.

7. Inventories

	2014	2013
	SAR '000	SAR '000
Raw Materials	2,117,377	1,969,195
Finished Goods	347,401	256,544
Spares	240,191	240,036
Work in Progress	205,497	190,228
Less: Allowance for Impairment of Inventories	(101,920)	(110,688)
Less: Losses Arising due to Fire (Refer note 21)	(39,496)	-
Total	2,769,050	2,545,315

8. Investments

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

	2014	2013	2014	2013
Investments in Associates and Joint Ventures (Refer note a)				
United Farmers Holding Company	33.0%	33.0%	133,181	203,950
Pure Breed Company	21.5%	21.5%	29,331	33,883
International Pediatric Nutrition Company	-	50.0%	-	13,335
Almarai Company W.L.L.	50.0%	50.0%	204	204
			162,716	251,372
Available for Sale Investments (Refer note b)				
Zain Equity Investment	2.1%	2.1%	148,100	213,539
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
			162,264	227,703
Total			324,980	479,075

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

	2014	2013
	SAR '000	SAR '000
United Farmers Holding Company		
Opening Balance	203,950	-
Funds Introduced*	3,300	205,676
Repayment of Loan	(69,169)	-
Share of Results for the year	(4,900)	(1,726)
Closing Balance	133,181	203,950

* This includes loan amounting to SAR 205.3 million in 2013.

Pure Breed Company		
Opening Balance	33,883	36,886
Share of Results for the year	(3,302)	(637)
Distributions	(1,250)	(2,366)
Closing Balance	29,331	33,883

	2014	2013
	SAR '000	SAR '000
International Pediatric Nutrition Company		
Opening Balance	13,335	11,679
Capital Introduced	-	29,260
Share of Results for the year *	44	(27,604)
Re-measurement to Fair Value of Equity Interest Already held, net	1,637	-
Transfer to Consolidated Subsidiary (Refer note 4)	(15,016)	-
Closing Balance	-	13,335

* This represents share of results for the eight day period ended 8 January 2014.

Almarai Company W.L.L.		
Opening Balance	204	204
Closing Balance	204	204

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

(b) The equity investment of 23.0 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Stock Exchange (Tadawul). The fair valuation resulted in unrealised loss of SAR 65.4 million for the year ended 31 December 2014. The closing balance of unrealised fair valuation loss was SAR 155.7 million as at 31 December 2014, presented 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.

9. Property, Plant and Equipment

	Land and Buildings	Plant, Machinery & Equipment	Motor Vehicles	Capital Work-in-Progress ^(a)	Total 2014	Total 2013
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost						
At the beginning of the year	7,851,707	9,105,798	1,855,844	1,818,104	20,631,453	18,223,053
Additions during the year	-	-	-	2,769,184	2,769,184	2,844,011
Transfers during the year	180,141	33,367	2,628	(216,136)	-	-
Disposals during the year	(20,962)	(142,014)	(141,878)	-	(304,854)	(374,245)
Losses Arising due to Fire (Refer note 21)	(80,616)	(320,765)	-	-	(401,381)	-
Currency Translation Difference	(172,636)	(14,893)	(1,771)	(1,258)	(190,558)	(61,366)
At the end of the year	7,757,634	8,661,493	1,714,823	4,369,894	22,503,844	20,631,453
Accumulated Depreciation						
At the beginning of the year	1,034,235	3,694,750	874,456	-	5,603,441	4,807,217
Depreciation for the year	211,098	819,017	193,705	-	1,223,820	1,153,466
Disposals during the year	(17,475)	(127,228)	(119,535)	-	(264,238)	(339,489)
Losses Arising due to Fire (Refer note 21)	(47,496)	(179,427)	-	-	(226,923)	-
Currency Translation Difference	(6,034)	(1,956)	(620)	-	(8,610)	(17,753)
At the end of the year	1,174,328	4,205,156	948,006	-	6,327,490	5,603,441
Net Book Value						
At 31 December 2014	6,583,306	4,456,337	766,817	4,369,894	16,176,354	
At 31 December 2013	6,817,472	5,411,048	981,388	1,818,104		15,028,012

(a) Capital Work-in-Progress includes SAR 29.3 million of borrowing costs capitalised during the year (2013: SAR 45.1 million).

10. Biological Assets

	Mature Dairy	Immature Dairy	Mature Poultry	Immature Poultry	Mature Plantations	Immature Plantations	Total 2014	Total 2013
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost								
At the beginning of the year	870,659	348,954	42,129	33,217	41,103	6,807	1,342,869	1,198,324
Additions during the year	-	6,230	-	72,253	-	1,283	79,766	79,644
Appreciation	453	439,309	-	-	-	-	439,762	393,118
Transfers during the year	302,558	(302,558)	94,511	(94,511)	5,532	(5,532)	-	-
Disposals during the year	(226,893)	(92,315)	(68,898)	(2,695)	-	-	(390,801)	(327,998)
Currency Translation Difference	39	(68)	-	-	-	-	(29)	(219)
At the end of the year	946,816	399,552	67,742	8,264	46,635	2,558	1,471,567	1,342,869
Accumulated Depreciation								
At the beginning of the year	322,693	-	21,237	-	6,589	-	350,519	297,295
Depreciation for the year	151,719	-	77,486	-	881	-	230,086	177,154
Disposals during the year	(113,653)	-	(65,319)	-	-	-	(178,972)	(123,728)
Currency Translation Difference	22	-	-	-	-	-	22	(202)
At the end of the year	360,781	-	33,404	-	7,470	-	401,655	350,519
Net Book Value								
At 31 December 2014	586,035	399,552	34,338	8,264	39,165	2,558	1,069,912	
At 31 December 2013	547,966	348,954	20,892	33,217	34,514	6,807		992,350

11. Intangible Assets – Goodwill

The goodwill arises from the acquisition of WB in 2007, HADCO in 2009, Fondomonte in 2011, IDJ in 2012 and IPNC in 2014.

	2014	2013
	SAR '000	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)	487,109	488,863
Fondomonte	27,795	27,795
International Pediatric Nutrition Company Limited (IPNC) - Refer note 4	41,793	-
Total	1,350,165	1,310,126

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 8.51% and 14.07% 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 changes to 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 12.41%. All other assumptions kept the same; a reduction of this growth rate to 8.52% 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 42.77% of sales. All other assumptions kept the same; an increase in the rate to an average of 65.26% 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 15.37. All other assumptions kept the same; a reduction of this multiple to 1.08 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 changes to 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 26.21%. All other assumptions kept the same; a reduction of this growth rate to 25.76% 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 47.98% of sales. All other assumptions kept the same; an increase in the rate to an average of 71.23% 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 21.52. All other assumptions kept the same; a reduction of this multiple to 18.74 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 changes to 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 14.14%. All other assumptions kept the same; a reduction of this growth rate to 12.52% 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 62.82% of sales. All other assumptions kept the same; an increase in the rate to an average of 75.96% 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 23.22. All other assumptions kept the same; a reduction of this multiple to 4.97 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 arm’s length transaction between knowledgeable, willing parties, less the costs of disposal”.

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

12. Term Loans

	Notes	2014	2013
		SAR '000	SAR '000
Islamic Banking Facilities (Murabaha)	(a)	5,602,180	5,851,020
Saudi Industrial Development Fund	(b)	1,393,853	1,431,202
Banking Facilities of Foreign Subsidiaries	(c)	118,704	175,462
Agricultural Development Fund		-	784
		7,114,737	7,458,468
Sukuk	(d)	2,300,000	2,300,000
		9,414,737	9,758,468
Short Term Loans		115,530	169,100
Current Portion of Long Term Loans		1,562,181	1,409,066
Long Term Loans		7,737,026	8,180,302
Total		9,414,737	9,758,468

(a) The borrowings from 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 2014 the group secured an additional SAR 2,500.0 million of Islamic Banking Facilities (Murabaha) with maturities greater than five years (2013: SAR 1,752.0 million with maturities greater than five years). As at 31 December 2014 SAR 4,275.2 million Islamic Banking Facilities (Murabaha) were unutilised and available for drawdown (2013: SAR 3,143.0 million).

(b) The borrowings of the Group from the Saudi Industrial Development Fund are secured by a mortgage on specific assets amounting to SAR 1,393.9 million as at 31 December 2014 (SAR 1,431.2 million as at 31 December 2013). As at 31 December 2014 the Group had SAR 660.5 million of unutilised SIDF facilities available for draw down with maturities predominantly greater than five years (2013: SAR 607.7 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 Jamad 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:

	Facilities available at 31 December 2014	Outstanding Term Loans	
		2014	2013
		SAR '000	SAR '000
Less than one year	1,698,712	1,677,711	1,578,166
One to two years	4,754,708	1,575,975	1,787,803
Two to five years	5,015,800	3,930,687	3,230,650
Greater than five years	2,881,218	2,230,364	3,161,849
Total	14,350,438	9,414,737	9,758,468

13. Payables and Accruals

	2014	2013
	SAR '000	SAR '000
Trade Payable		
Third Parties	1,247,370	1,225,392
Related Parties (Refer note 29)	36,081	45,445
Other Payables and Accruals	729,347	644,455
Zakat and Foreign Income Tax Provision (Refer note 22)	94,517	73,299
Total	2,107,315	1,988,591

14. Share Capital

The Company's share capital at 31 December 2014 amounted to SAR 6,000.0 million (2013: SAR 6,000.0 million), consisting of 600 million (2013: 600 million) fully paid and issued shares of SAR 10 each.

15. Perpetual Sukuk

	2014	2013
	SAR '000	SAR '000
Perpetual Sukuk	1,700,000	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 at its own discretion may redeem the Perpetual Sukuk, in full or in part, and may defer, in full or in part, payment of any profit distribution. 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, in the event of winding up of the Company, ranks 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.

16. Employee Stock Participation Program

The Company is offering certain employees (the "Eligible Employees") the option (the "Option") for equity ownership ("Restricted Shares" i.e. treasury 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 Dul Qadah 1432 A.H. (October 2011). The number of Restricted Shares shall not exceed 2,869,350 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:

EMPLOYEE SHARE OPTION PLAN

	2014	2013
Outstanding at 1 January	3,459,990	2,741,740
Granted during the year	142,170	1,008,000
Forfeited during the year	(412,935)	(289,750)
Outstanding at 31 December	3,189,225	3,459,990

The fair value per Option, 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 the first tranche and SAR 23.9 for second the 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 34.07 and SAR 43.23 respectively.

During 2014 the management has introduced a new plan that comes on the back of the first tranche in January 2014. This plan has been duly filed to the Capital Market Authority (the "CMA") as per its requirements. This new plan has a vesting period of 1 year from the expiry of first tranche and has been accounted for under the applicable accounting standards, as a modification of the first tranche, which resulted in incremental fair value per option using Black Scholes Merton pricing model of SAR 0.67.

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.

17. Segmental Reporting

The Group's principal business activities involve manufacturing and trading of dairy and juice products under the Almarai, Beyti and Teeba brands, bakery products under L'usine and 7 Days brands, poultry products under the Alyoum brand, arable and horticultural products as well as other activities. Other activities include Arable, Horticulture and Infant Nutrition. Selected financial information as of 31 December 2014 and 31 December 2013 and for the years then ended categorized by these business segments, are as follows:

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2014					
Sales	9,942,757	1,532,906	1,022,761	514,263	13,012,687
Third Party Sales	9,901,898	1,532,906	1,022,761	148,000	12,605,565
Depreciation	(913,010)	(161,034)	(298,086)	(81,776)	(1,453,906)
Share of Results of Associates and Joint Ventures	-	-	(3,302)	(4,856)	(8,158)
Income / (loss) before Non Controlling Interest	2,009,188	168,347	(397,317)	(96,309)	1,683,909
Share of Net Assets in Associates and Joint Ventures	204	-	29,331	133,181	162,716
Additions to Non-Current Assets	2,532,426	162,642	520,748	228,099	3,443,915
Non-Current Assets	11,330,184	1,499,413	4,682,291	1,525,455	19,037,343
Total Assets	14,943,930	1,815,650	5,229,829	1,959,506	23,948,915
31 December 2013					
Sales	8,868,185	1,445,116	792,332	435,103	11,540,736
Third Party Sales	8,835,807	1,445,116	792,332	145,927	11,219,182
Depreciation	(930,050)	(136,709)	(174,578)	(89,283)	(1,330,620)
Share of Results of Associates and Joint Ventures	-	-	(637)	(29,330)	(29,967)
Income / (loss) before Non Controlling Interest	1,705,293	139,387	(338,626)	(5,682)	1,500,372
Share of Net Assets in Associates and Joint Ventures	204	-	33,883	217,285	251,372
Additions to Non-Current Assets	2,089,622	172,073	1,074,861	272,995	3,609,551
Non-Current Assets	8,990,491	1,783,655	4,447,036	2,601,945	17,823,127
Total Assets	13,255,241	2,021,600	4,937,621	2,956,910	23,171,372

The business activities and operating assets of the Group are mainly concentrated in GCC countries. The selected financial information as at 31 December 2014 and 31 December 2013 for the years then ended, categorized by these geographic segments is as follows:

	2014	2013
	SAR '000	SAR '000
Sales		
Saudi Arabia	8,100,898	7,276,782
Other GCC Countries	3,321,258	2,874,201
Other Countries	1,183,409	1,068,199
Total	12,605,565	11,219,182
Non - Current Assets		
Saudi Arabia	16,922,237	15,966,171
Other GCC Countries	359,944	329,810
Other Countries	1,755,162	1,527,146
Total	19,037,343	17,823,127

18. Cost of Sales

	2014	2013
	SAR '000	SAR '000
COST OF SALES		
Direct Material Consumed	5,483,548	4,995,390
Government Grants	(354,149)	(250,968)
Employee Costs	1,088,925	943,501
Share Based Payment	5,449	4,282
Depreciation of Property, Plant and Equipment	984,172	933,099
Depreciation of Biological Assets	230,086	177,154
Appreciation of Biological Assets	(439,762)	(393,118)
Loss on Sale of Biological Assets	57,590	46,962
Repair and Maintenance	352,253	297,093
Telephone and Electricity	172,658	142,656
Vaccines and Drugs Consumed	122,751	119,636
Crates and Pallets Consumed	77,004	52,525
Rent	48,614	33,976
Other Expenses	241,391	154,262
Total	8,070,530	7,256,450

19. Selling and Distribution Expenses

	2014	2013
	SAR '000	SAR '000
SELLING AND DISTRIBUTION EXPENSES		
Employee Costs	1,157,535	971,148
Share Based Payment	2,900	2,444
Marketing	671,993	552,871
Depreciation of Property, Plant and Equipment	197,851	181,364
Repair and Maintenance	101,170	79,536
Telephone and Electricity	16,173	15,769
Crates and Pallets Consumed	4,256	8,244
Rent	32,619	33,430
Other Expenses	61,723	25,660
Total	2,246,220	1,870,466

20. General and Administration Expenses

	2014	2013
	SAR '000	SAR '000
GENERAL AND ADMINISTRATION EXPENSES		
Employee Costs	236,872	187,809
Share Based Payment	2,338	1,806
Insurance	25,915	16,058
Depreciation of Property, Plant and Equipment	41,797	39,003
Repair and Maintenance	33,849	24,668
Profit on Sale of Property, Plant and Equipment	(10,077)	(9,926)
Telephone and Electricity	4,392	4,810
Rent	2,450	1,736
Other Expenses	1,165	29,696
Total	338,701	295,660

21. Other Income

	2014	2013
	SAR '000	SAR '000
OTHER INCOME		
Re-measurement to Fair Value of Equity Interest Already Held (Refer note 4)	20,897	-
Losses Arising due to Fire (Refer (a) below)	(213,954)	-
Partial Claim Recognised (Refer (a) below)	213,954	-
Total	20,897	-

(a) On 15 Dul Hijjah 1435 A.H. (9 October 2014) a fire incident occurred at one of the manufacturing facilities in Jeddah. The fire resulted in damage of certain assets, having a carrying value of SAR 213.9 million, and loss of profits (collectively referred to as "the Losses").

The Losses are covered under the Property All Risk insurance policy and Loss of Profits insurance policy (collectively referred to as "the Insurance Policies"). The insurer has acknowledged the event and has confirmed that, in light of investigations carried out by the insurer's Loss Adjuster and Forensic Investigator, the insurer has no ground to consider that insurer's liability will not engage under the Insurance Policies.

As at 31 December 2014, the Group has recognized an estimated partial claim equal to the carrying value of the damaged assets. The Group is currently performing a detailed assessment of the Losses in order to lodge a formal comprehensive claim under the Insurance Policies.

22. Zakat and Foreign Income Tax

A. Zakat

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 2014 and 2013, the Zakat charge is based on the net adjusted income. Foreign Income Tax in each jurisdiction is calculated as per applicable tax regulations.

	2014	2013
	SAR '000	SAR '000
Zakat	45,763	32,994
Foreign Income Tax	12,720	5,073
Deferred Tax	12,586	3,918
	71,069	41,985

B. Zakat Provision

	2014	2013
	SAR '000	SAR '000
Zakat Provision		
Balance at 1 January	66,552	67,699
Charge	45,763	32,994
Payments	(34,054)	(34,141)
Balance at 31 December	78,261	66,552

The Company has filed its Consolidated Zakat returns for all the years up to 2013 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 2013 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 return.

C. Foreign Income Tax Provision

	2014	2013
	SAR '000	SAR '000
Foreign Income Tax Provision		
Balance at 1 January	6,747	4,539
Charge	12,720	5,073
Payments	(3,211)	(2,865)
Balance at 31 December	16,256	6,747

Foreign Subsidiaries have filed their tax returns for all years up to 2013, 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 2008, and the latest year assessed is 2011.

D. Deferred Tax

Deferred tax liability of SAR 84.4 million relates to taxable temporary differences arising on property, plant and equipment. This includes SAR 48.8 million on the revaluation of land amounting to SAR 139.6 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

Deferred tax asset of SAR 0.1 million relates to unused tax losses for to its subsidiaries in Argentina. Management believes that future taxable profits will be available against which deferred tax asset can be realized.

23. Earnings per Share

	2014	2013
	SAR '000	SAR '000
Income from Main Operations	1,754,978	1,542,357
Less: Profit attributable to Perpetual Sukukholders	(51,644)	(13,012)
Income from Main Operations - Attributable to Shareholders	1,703,334	1,529,345
Net Income for the Year	1,674,339	1,502,207
Less: Profit attributable to Perpetual Sukukholders	(51,644)	(13,012)
Net Income for the Year - Attributable to Shareholders	1,622,695	1,489,195
Total Weighted Average Shares in thousands for Basic EPS	595,893	596,280
Total Weighted Average Shares in thousands for Diluted EPS	600,000	600,000

Weighted average numbers of shares are retrospectively adjusted to reflect the effect of bonus shares and are adjusted to take account of treasury shares held under the Almarai Employees Stock Participation Program.

24. Depreciation and Disposal of Assets

	2014	2013
	SAR '000	SAR '000
DEPRECIATION AND DISPOSAL OF ASSETS		
A. Depreciation		
Property, Plant and Equipment		
Depreciation of Property, Plant and Equipment	1,223,820	1,153,466
Biological Assets		
Depreciation of Biological Assets	230,086	177,154
Appreciation of Biological Assets	(439,762)	(393,118)
Net Biological Assets Appreciation	(209,676)	(215,964)
Total	1,014,144	937,502
B. Profit / (Loss) on the Sale of Assets		
Property, Plant & Equipment		
Proceeds from the Sale of Property, Plant and Equipment	50,693	44,682
Net Book Value of Property, Plant and Equipment Sold	(40,616)	(34,756)
Profit on Sale of Property, Plant and Equipment	10,077	9,926
Biological Assets		
Proceeds from Sale of Biological Assets	154,239	157,308
Net Book Value of Biological Assets Sold	(211,829)	(204,270)
Loss on Sale of Biological Assets	(57,590)	(46,962)
Total	(47,513)	(37,036)

25. 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 8,164.5 million at 31 December 2014 (2013: SAR 8,431.3 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 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
2014	SAR	+30	-24,494
	SAR	-30	24,494
2013	SAR	+30	-25,294
	SAR	-30	25,294

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 significant outstanding foreign currency forward purchase agreements were as follows:

	2014	2013
United States Dollar ('000)	655,000	715,500
Euro ('000)	242,851	231,500
Great Britain Pound ('000)	34,000	7,800

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	Effect on income for the year SAR'000
2014	+10%	-13,093
	-10%	13,093
2013	+10%	-11,638
	-10%	11,638

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.

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 27% of outstanding trade receivables at 31 December 2014 (2013: 29%).

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 2014 were 22 days (2013: 22 days). Trade payables are typically settled on a terms basis, the average payables outstanding for 2014 were 57 days (2013: 67 days).

26. 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 2014, the Group had various financial derivatives that were designated as cash flow hedge instruments 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 2014 the Group had 22 commission rate swap agreements in place covering a total notional amount of SAR 3,300.0 million. 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.

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

The Group enters 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 87.9 million (2013: net decrease of SAR 0.9 million) was recognised in Other Reserves within equity.

27. Commitments and Contingencies

A. The contingent liabilities against letters of credit are SAR 178.5 million at 31 December 2014 (2013: SAR 160.6 million).

B. The contingent liabilities against letters of guarantee are SAR 1,214.7 million at 31 December 2014 (2013: SAR 1,065.0 million).

C. The Company had capital commitments amounting to SAR 1,966.9 million at 31 December 2014 in respect of ongoing projects (2013: SAR 1,747.8 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and IT equipment.

D. Commitments under operating leases expire as follows:

	2014	2013
	SAR '000	SAR '000
Within one year	101,639	89,048
Two to five years	85,772	96,770
After five years	938	67,329
Total	188,349	253,147

28. Directors Remuneration

The Directors' remuneration paid to the Board of Directors for year ended 31 December 2014 amounted to SAR 6.5 million (2013: SAR 6.6 million).

29. 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 2014 and 31 December 2013 along with their balances:

Nature of Transaction	Transaction Amount		Balance at 31 December	
	2014	2013	2014	2013
	SAR '000	SAR '000	SAR '000	SAR '000
Sales To				
Azizia Panda United	421,771	422,439	74,266	68,578
International Pediatric Nutrition Company Limited	-	4,501	-	2,373
	421,771	426,940	74,266	70,951
Purchases From				
Savola Packaging Systems Company Limited	166,745	117,905	(26,218)	(34,958)
United Sugar Company	105,228	88,466	(7,622)	(8,871)
Afia International Company	3,776	9,633	(78)	(1,616)
International Pediatric Nutrition Company Limited	1,860	19,876	-	-
Al Kabeer Farms - Forage	34,906	45,479	(2,163)	6,117
	312,515	281,359	(36,081)	(39,328)
Services To				
Al Kabeer Farms	864	864	-	-
	864	864	-	-
Services From				
Arabian Shield Cooperative Insurance Company (Refer note (a) below)	66,025	53,893	214,038	296
Todhia Farm	2,564	813	(5)	1,746
Abdul Aziz Al Muhanna (Land rent)	173	173	-	-
United Farmers Holding Company Limited	-	-	648	265
	68,762	54,879	214,681	2,307
Dividend Received				
Purebreed Company	1,250	2,366	-	-
	1,250	2,366	-	-
Payment of Sukuk Finance Charges				
Yamama Cement Company	962	489	(240)	(240)
Arabian Shield Cooperative Insurance Company	61	61	(19)	(19)
	1,023	550	(259)	(259)

(a) The related party balance with Arabian Shield Cooperative Insurance Company for the year ended 31 December 2014 includes a receivable of SAR 214.0 million in respect of the partial insurance claim (refer note 21).

Pricing and terms for these transactions are at arm's length. The related parties, other than subsidiaries and associates, include following:

Entity	Relationship
Azizia Panda United	Common Ownership
Savola Packaging Systems Company Limited	Common Ownership
United Sugar Company	Common Ownership
Afia International Company	Common Ownership
Yamama Cement Company	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Managed Arable Farms	Common Directorship
Abdul Aziz Al Muhanna	Common Directorship

30. Dividends Approved and Paid

On 2 Jamad Thani 1435 A.H. (2 April 2014) the Extraordinary General Assembly Meeting approved a dividend of SAR 600.0 million (SAR 1.00 per share) for the year ended 31 December 2013 which was paid on 9 Jamad Thani 1435 A.H. (9 April 2014).

31. Dividends Proposed

The Board of Directors proposes for approval at the General Assembly Meeting a dividend for the year ended 31 December 2014 of SAR 600.0 million (SAR 1.00 per share based on 600 million shares).

32. Subsequent Events

In the opinion of the Management, there have been no significant subsequent events since the year end that would have a material impact on the Financial Position of the Group as reflected in these Consolidated Financial Statements.

33. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 27 Rabi Al-Awal 1436 A.H. (18 January 2015).

Imprint

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