

Value through innovation



We are the Middle East's best-loved food and beverage brand. Every day 42 million consumers choose Almarai.

Value through innovation



The GCC's strongest food and beverage brand

Almarai is the best-loved food and beverage brand in the GCC region.

[Read more on page 8 >>](#)



Innovation is in our DNA

Innovation has an equally important role to play in cost rationalization and operational efficiency, an area in which we have a strong track record.

[Read more on page 10 >>](#)



From farm to table

We are the world's largest vertically integrated dairy company, operating across the value chain. From farm to table, it's all Almarai.

[Read more on page 12 >>](#)



Our innovation process

Our ability to continuously deliver new ideas, pre-empt market changes and provide the consumer with exciting enhancements to their shopping basket is at the heart of our 'Quality you can trust' promise.

[Read more on page 14 >>](#)



Delivering innovation every day

Thanks to years of investment and innovation, our transport and logistics team is larger than any logistics company in the Middle East.

[Read more on page 16 >>](#)



Mission

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

Vision

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

Values

- Adaptable
- Sharing
- Passionate
- Innovative
- Respect
- Excellence

Highlights of the year

Net Cash Generated from Operating Activities

SAR 4,614M

2017	4,614
2016	4,473
2015	4,932

Market capitalization*

SAR 53,750M

2017	53,750
2016	54,790
2015	46,940

Profit attributable to Shareholders**

SAR 2,182M

2017	2,182
2016	2,147
2015	1,915

* Market capitalization calculation reflects price adjustment due to capital increase, all figures reflect the Company's current outstanding shares.

** 2017 and 2016 are based on IFRS accounting standards and 2015 numbers are based on SOCPA accounting standards.

Strategic Report 1-45

Highlights of the year	1
Almarai at a glance	2
Chairman's Statement	4
Value through innovation	6
CEO review	20
Market overview	22
Business model	24
Our strategy	26
Divisional review	28
CFO review	34
Internal Control and Risk Management	36
Sustainability	43

Directors' Report 46-87

Board of Directors	46
Executive Management	48
Almarai organization chart	50
Tadawul announcements	51
Almarai and its subsidiaries	52
Share price and Shareholder information	54
Main transactions, investments and other events	56
Important events in 2018	57
Preparation of the Financial Statements	58
Dividend policy	59
Statutory payments, penalties and sanctions	62
Corporate Governance Rules	63
Rights of Shareholders and the General Assembly	64
Board of Directors formation and functions	65
Ownership of Board of Directors members, spouses and minors	68
Ownership of Senior Managers, spouses and minors	69
Details of paid compensation and remuneration	70
Board of Directors Committees	73
Executive Committee	73

Remuneration and Nomination Committee	75
Audit Committee	77
Results of annual internal audit procedures	79
Related party transactions	81
Disclosure and transparency policy	83
Board of Directors certification	84
Financial review	85

Financial Statements 88-152

Independent Auditors' Report	88
Consolidated Statement of Financial Position	93
Consolidated Statement of Profit or Loss	94
Consolidated Statement of Comprehensive Income	95
Consolidated Statement of Changes in Equity	96
Consolidated Statement of Cash Flows	97
Notes to the Consolidated Financial Statements	98

Almarai at a glance

Region's largest food company

Founded in 1977, Almarai has grown to become the Middle East's largest food manufacturer and distributor. With headquarters in Riyadh, Saudi Arabia, our production and distribution footprint covers the GCC states, Egypt and Jordan.

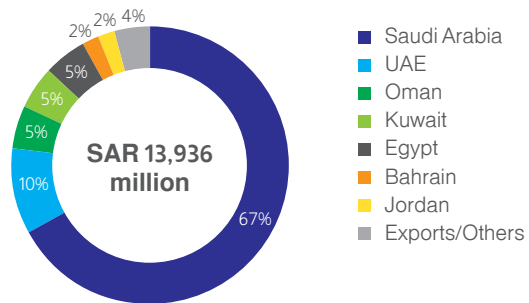
#33

on Forbes' the world's 100 most innovative companies

42M*

Daily consumers

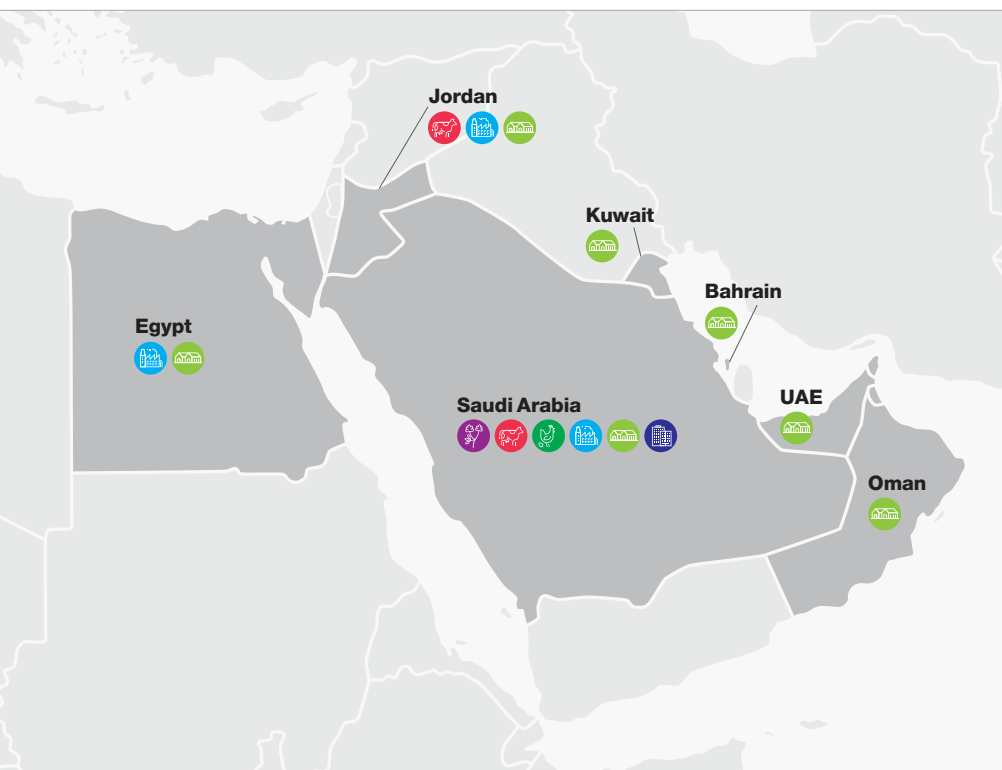
Sales by location



* 42 million is an approximation based on market penetration and market share analysis throughout the GCC (Gulf Cooperation Council), Jordan and Egypt.

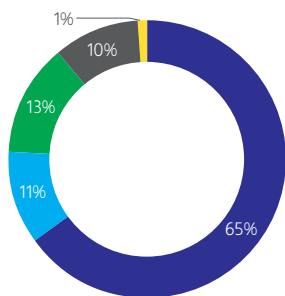
Locations

- Arable farms
- Dairy farms
- Poultry farms
- Manufacturing
- Sales depots
- Head Office



We delight consumers in five categories across the Middle East and North Africa:

Sales by category



- Dairy
- Fruit Juice
- Bakery
- Poultry
- Infant Nutrition

Dairy*



The Almarai brand has been trusted by consumers for 40 years. We are market leaders in fresh milk, laban, flavoured milk, milkshakes, UHT milk, evaporated milk, cream, yoghurts, desserts, natural and processed cheeses, butter and ghee.

4.0M

liters of our milk is enjoyed daily by consumers.

Fruit Juice



Fresh Juices in the GCC are led by Almarai, offering consumers a popular range of mixed and 100% juices, as well as children's juices marketed under the Nijoom sub-brand. In 2017, Almarai entered the long life juice segment under the Joosy Life brand.

1.3M

bottles of juice are distributed every day.

Bakery



The Middle East relies on us for bakery products, marketed under the L'usine and 7Days brands. From white bread to chocolate coated cakes, Almarai is providing consumers with exciting and innovative everyday treats.

1.3B

bread and pastry items produced every year.

Poultry



40% of fresh poultry consumers choose Alyoum as a guarantee of quality and innovation. We deliver a comprehensive selection of whole, part and value added products with a high nutritional value and, above all, outstanding taste.

98.0M

packs sold annually.

Infant Nutrition



Our Infant Nutrition products support mothers and children across Saudi Arabia and the GCC. Our brands include Nuralac and Nuralac Plus, Nurababy cereal and the Nuraplus Suregrow supplement for children. Our new Ready To Drink range is a game changing innovation.

1.0B

SAR invested in the infant nutrition sector.

* Dairy category includes: Fresh Dairy, Long Life Dairy and Dairy Foods.

Chairman's Statement

40 years of innovation

On behalf of the Board of Directors, it gives me great pleasure to present Almarai's Annual Report for the year ending 31 December 2017.



Almarai performed well in 2017, finishing the year slightly ahead of 2016 in terms of net income. Almarai is proud of its status as the leading integrated food and beverage company in the Middle East.

The power of innovation

Over many years, our ability to innovate has been the cornerstone of our success. It has propelled us into our strong leadership position and fueled our proven ability to create compelling value for our consumers and our shareholders. Our commitment to innovation is plainly evident in our advanced production facilities, such as our poultry production plant in Hail, one of the world's largest facilities of its kind, and our new SAR 1.2 billion dairy processing plant at Al Kharj that was commissioned in November 2017. Our investment in people likewise underlines our belief in innovation. Almarai has always sought the best technical experts in the food and beverage industry from around the world. This deep-rooted understanding of the value of innovation, and the determination to implement it at every opportunity and at every level of our company, has allowed us to deliver the quality our customers trust. Moreover,

successful innovation over many years has equipped Almarai with the resilience to perform well even during periods when the economic environment is more challenging.

Strategic review

During 2017, we formulated Almarai 2025, a fundamental review of our long-term strategy. This initiative supplements our normal five year plan process and has allowed us to identify specific measurable goals, determine the best markets in which Almarai should compete and detail how we should win. We now have a clear picture of how Almarai should look in 2025 and the strategic and tactical path our operations will follow to achieve continued profitable growth.

Our strategic review resulted in a new organization structure from 1 October 2017 that realigns Almarai around specific businesses rather than functions. This new structure has clear reporting lines as well as defined responsibilities and accountabilities.

We believe this major shift will allow us to adapt successfully to the changing economic environment and other

SAR 53,750M

Market capitalization

SAR 750.0M

Cash distribution
(which equals SAR 0.75 per share
and 34.4% of Net income)

challenges. While we have a new internal structure, we retain our long-established corporate culture with its unwavering commitment to 'Quality you can trust' and its proven ability to deliver outstanding innovation and leadership for the benefit of our consumers.

Aligning with Saudi Arabia's Vision 2030

Almarai has strengthened its strategic platform at a time when Saudi Arabia has set out its ambitious Vision 2030. As the roadmap for the Kingdom's developmental and economic objectives, Vision 2030 expresses the nation's long-term goals and expectations, and reflects our country's strengths and capabilities. The National

“Over many years, our ability to innovate has been the cornerstone of our success. It has propelled us into our strong leadership position and fueled our proven ability to create compelling value for our consumers and our shareholders.”

HH Prince Sultan bin Mohammed bin Saud Al Kabeer

Chairman

Transformation Plan associated with Vision 2030 is building the institutional capacity needed to take Saudi Arabia forward. Together these initiatives are already introducing important reforms and facilitating a new era of economic development.

At Almarai, we will do everything in our power to help achieve the aims of Vision 2030. We will play a key part in the future of our nation by supporting Saudization, creating new job opportunities for women, and strengthening the nation's food and beverage sector so that it retains its leadership in the Middle East and contributes to a more diversified national economy.

Governance

The Board continued to perform its duties throughout 2017.

The Extraordinary General Assembly held in March approved the appointment of Engr. Rayan bin Mohammed Fayeze (non-executive) as a member of the Board of Directors to replace HE Engr. Abdullah bin Mohammed Noor Rihaimi, who had resigned earlier. Engr. Rayan bin Mohammed Fayeze will complete the

term of his predecessor in the current session, which began on 7 August 2016 and ends on 6 August 2019.

In October, the Public Investment Fund (PIF) increased its holding in Almarai to a level representing 16.3% of the total Company's share capital.

The Company has also aligned its corporate governance system to be fully compliant with the new company law and CMA regulations.

Creating shareholder value

The Company's total market capitalization at the end of 2017 reached SAR 53,750 million. A share capital increase, distributing one bonus share for every four shares owned (an increase of 25%), took place in October 2017. As a result, the number of shares increased from 800 million to 1 billion. At the Annual General Meeting to be held on 9 April 2018, the Board of Directors will propose a cash distribution of SAR 750.0 million which equals SAR 0.75 per share and 34.4% of Net income.

Valuing our stakeholders

Looking ahead to 2018, our strategic review will help us secure our future through new product development and regional and international expansion. Almarai continues to demonstrate superior strategy and execution and this will serve us well into the future.

I would like to express my gratitude to my fellow directors for their wise guidance and prudent judgment throughout the year. On behalf of the Board, I would also like to thank Almarai's management and staff as always for their hard work, commitment and professionalism. I also offer my sincere thanks to our loyal consumers whose trust in our products is the bedrock upon which we have built our success. Finally, I am grateful to our shareholders for their unwavering support and confidence. Together, we embark on the next exciting chapter of Almarai's growth and development.

HH Prince Sultan bin Mohammed bin Saud Al Kabeer

Chairman

Value through innovation

Innovation in numbers

Founded in 1977, Almarai has grown to become the Middle East's largest food manufacturer and distributor.

187

product innovations

10%

reduction in added sugar to juices

1.5B

impressions on social media

14,000

liters of milk per cow per annum

Where will you find one of the most impressive food and beverage operations in the world? In the desert landscape of Saudi Arabia, where temperatures frequently rise above 45°C. Providing the GCC region with fresh milk every day, along with a growing portfolio of juice, bakery, poultry and infant nutrition products, requires a coherent end-to-end solution.

Only a highly innovative company can do this. Our commitment to innovation as a core value underwrites our quality culture and the maxim by which we live and work every day: 'Quality you can trust'. Innovation is part of our DNA.

When our Fresh Dairy operations commenced in 1977, fresh milk was a novel experience in Saudi Arabia.

Forty years later, in 2017, Forbes ranked us 33rd in its list of The World's Most Innovative Companies, up from 40th position the year before.

85%

of 42,700 employees
have completed online training

5%

additional improvement in fuel
efficiency across our fleet

400

operational efficiency
projects in 2017

#33

on Forbes' the world's 100 most
innovative companies



Value through innovation

The GCC's strongest food and beverage brand



Almarai is the best-loved food and beverage brand in the GCC region. In 2017, the YouGov BrandIndex that included rankings of leading brands across all industries in Saudi Arabia gave Almarai top place ahead of Apple, WhatsApp, YouTube, Google, Samsung and Emirates.

Our innovative social media team have built a massive following thanks to our

content and engagement strategy across Facebook, Instagram, Twitter and YouTube. At the end of 2017, more than 4.3 million people were following Almarai's Facebook page (source Socialbakers.com), a status which means we had the largest audience globally among FMCG corporate pages, placing us ahead of several global multinational brands. Our Facebook team allows us to use social

media to react instantly to consumer trends and stay ahead in a fast changing environment. We continue to invest in cutting-edge technology to ensure we capture and share consumer insights and research in the fastest and most effective ways.





Value through innovation

Innovation is in our DNA



Innovation has an equally important role to play in cost rationalization and operational efficiency, an area in which we have a strong track record. Our Triple A Programme – Agility, Accountability, Action – touches every part of our business. It requires all managers to continuously identify

ways of reducing costs or working more efficiently. In 2017, Triple A delivered savings of SAR 300 million, which provides further evidence of Almarai's agility.

Triple A is part of our wider Almarai Continuous Excellence (ACE) scheme,

which includes recognition schemes and folds into the performance objectives of senior managers. Through this approach, we have succeeded in creating an innovative culture at the grassroots level so that everybody at Almarai understands the importance of innovation.





Value through innovation

From farm to table

We are the world's largest vertically integrated dairy company, operating across the value chain. From farm to table, it's all Almarai.

Take farming, for example, to preserve domestic water, we are on track to import 100% of our alfalfa hay requirements from 2019 onwards.

Our farms look after livestock to the highest standards, ensuring maximum yields and quality. We passed an important milestone in our dairy

operations in 2017 when we exceeded 14,000 liters of milk per annum for each milking cow. This reflects the skill of our management team, years of enhancing farm designs, a continual focus on animal nutrition and development of in-house IT systems.

Our manufacturing facilities produce the highest quality output on a massive scale. Our new Central Production Plant (CPP3) in Al Kharij, which was commissioned in November 2017 includes seven production lines

for fresh dairy products. This follows the opening of our bakery and our poultry facility in Hail in 2016 and 2015 respectively.

We have also innovated in packaging. We were the first in Saudi Arabia to switch to transparent packaging for milk and juice. Our new design for crates has helped us gain distribution efficiency across multiple product ranges. In poultry, we were the first to introduce airtight packaging into the GCC.







Value through innovation

Our innovation process



Our ability to continuously deliver new ideas, pre-empt market changes and provide the consumer with exciting enhancements to their shopping basket is at the heart of our 'Quality you can trust' promise. Our rigorous innovation process relies on the work of our team of 250 market researchers, product developers and marketers who, in 2017, submitted 225 product innovation ideas and ran 187 product innovation projects across all of our categories. Last year, we launched 65 new consumer packs after extensive research in our laboratories, tests with our own

employee taste panel and in the home with consumers. In 2017, we launched a butter croissant targeting the premium market, and then with our spreadable processed feta cheese created a unique new product in the GCC.

Until 2016 we had no presence in powdered milk but we now have a successful challenger in a segment representing nearly 30% of the GCC's total milk category. Our Joosy Life brand, a range of tasty long life juices in cartons, meets market demands for a great taste at a more affordable price.

Following the launch of Ayran salted laban (buttermilk), this product became a market leader in just seven months. We created the totally new sub-category of premium laban with our Baladi brand, which we are now extending to offer premium cream and milk products with extra goodness to a discerning market. Our launch in 2017 of ready to drink liquids for infant nutrition is a game changing innovation that gives us a significant competitive advantage.





Value through innovation

Delivering innovation every day



Thanks to years of investment and innovation, our transport and logistics team is larger than any logistics company in the Middle East. More than 8,500 trucks and reefers delivered close to 2.0 billion liters/kilograms of product throughout 2017 on time and in perfect condition.

In 2017, we invested in driving simulators to help train drivers taking products from our factories to our local sales depots. We are currently building a computerized warehouse with robotic systems for loading and unloading pallets. We are now implementing dual-temperature transportation in

our long-haul trucks and short-haul vans so we no longer need to use separate trucks for separate product types.



40 years of innovation



OPPORTUNITY

HH Prince Sultan bin Mohammed bin Saud Al Kabeer, our visionary Chairman, transformed Saudi Arabia's traditional dairy farming industry with the establishment of Almarai.

1977



RESTRUCTURING

Almarai entered a period of restructuring and reinvestment, which took it from a decentralized structure to a centralized structure. The aim was to establish ourselves as a low-cost producer so that our consumers could enjoy high quality products at an affordable price.

1990s

COLLABORATION

Paving the way for geographical expansion beyond the GCC, we pooled our respective expertise in dairy and juice with PepsiCo. We launched a joint venture – the International Dairy and Juice (IDJ) Company.



CONSTRUCTION

We started the construction of a new bakery facility in Al Kharj. We continued to develop our bakery portfolio with innovative products and new distribution channels.

We added poultry products to our portfolio through the acquisition of Hail Agricultural Development Company (HADCO). After investing in a world class production facility, we launched the new premium poultry brand – Alyoum.

2009

INFANT NUTRITION

We commissioned the first state-of-the-art infant nutrition plant in the Middle East. Since acquiring full ownership of Infant Pediatric Nutrition Company ("IPNC") in 2014, Almarai has manufactured and distributed its own Infant Nutrition products under the Nuralac and Nuralac Plus brands. Our latest Ready to Drink products are the next step in making parents' lives simpler.



2010

SAR 750M

PUBLIC COMPANY

Almarai lists on Saudi Arabia's Stock Exchange, offering 30% of the Company's shares at SAR 750 million. At the end of 2017, we had around 50,000 shareholders.



NEW MARKETS

We entered the bakery products market by acquiring Jeddah based Western Bakeries.



2005

2007

INNOVATION

Almarai started its "Almarai for Innovation Management" scheme to build on its innovation momentum.



2009

CREATIVITY

Almarai won the Bronze PR Lion award at the Cannes International Festival of Creativity in 2016 for its film entitled 'The Best Milk Cannot be Bought'. This championed mother's milk against a trend among Saudi mothers to avoid breastfeeding in favor of more convenient alternatives. Within a week, the film became the second most shared video on YouTube.



2016



THE FUTURE

We completed our Almarai 2025 strategic review to reconfirm the future direction of our businesses. Almarai 2025 focuses on using innovation and agility to deliver future growth and profit.

2017

CEO review

Strong performance underlines Almarai's agility, expertise and resilience



As a food and beverage company and one of the largest corporations in the region, we have had to innovate to stay relevant. As a leading consumer products company, we have to keep our finger on the pulse so that we can understand people's tastes and desires day by day. The Saudi Arabia of today is very different from 40 years ago. To grow our business during this time has required a keen sense of evolving consumer preferences. We have succeeded because our strategy demands we assess and reassess our business so that we always understand what consumers want. As a result, we are in a perpetual state of innovation and this has helped us stay dynamic and made us resilient.

In 2017, we proved Almarai's inherent resilience as we responded exceptionally well to a range of challenges in the economy and the wider business environment.

We benefited from a sharp turnaround in our poultry operations, excellent progress in our cost and efficiency programmes and the agility we have developed at every level of our business. Over the past year, we strengthened our position as the

consumer's preferred choice for superior, nutritious food and beverage products in the Arab world.

Net income was slightly ahead of last year by +1.6% to SAR 2,182 million although Revenues were slightly down by -2.8% to SAR 13,936 million. We maintained a high level of profitability and strong market share in our core businesses.

Successful turnaround in poultry and growth in infant nutrition

In our poultry business, we succeeded in stabilising the volume of supply through improved bird health. This has reduced cost and improved operational efficiency and allowed us to achieve a major turnaround in 2017 to finish the year at breakeven. This is a significant milestone in the achievement of our long-term strategy. We are now one of the largest producers of fresh poultry in Saudi Arabia with 40% of the market and view this as a viable operation that will be profitable in 2018 and support Almarai's future business performance. In the Infant Nutrition segment, our new liquid product launched at the end of 2017 is a game changing innovation that puts us ahead of our competition.

International Dairy and Juice (IDJ) and regional growth

We also made good progress in our strategic aim of driving profitability in our assets outside of Saudi Arabia and growing our businesses regionally. In our joint venture operations with PepsiCo, International Dairy and Juice (IDJ), we strengthened our market presence in Egypt, while in Jordan we restructured our joint venture with the aim of reaching breakeven or profitability in due course. We are currently evaluating opportunities to expand our presence elsewhere in the Middle East. This is very much in line with Vision 2030, which encourages regional and international expansion for leading Saudi companies.

Strong focus on managing costs

We maintained a strong focus on cost rationalization and operational efficiency throughout 2017.

Through our Triple A programme (Agility, Accountability, Action), we have looked carefully at our processes and systems to identify how to reduce costs or work more efficiently. In 2017, we delivered cost savings of SAR 300 million. This is more than we had targeted and represents 60% of the

SAR 500 million objective we set for 2017 and 2018. We are confident we will meet the balance of our cost saving target in 2018. Triple A is part of the Almarai Continuous Excellence (ACE) programme that also operated throughout 2017. ACE is a powerful tool that lifts the performance of our business by encouraging employee engagement.

Investing in our people

As in previous years, we continued to attract the right talent, develop the skills of our existing staff and create long-term relationships throughout our workforce. We believe this is one of the key pillars for the long-term success of our company. Our Almarai Academy helps employees fully engage with their career journey. The Almarai Future Leaders programme develops high potential graduates for leadership positions, and the Graduate Professional Training is dedicated to local recent graduates. We also collaborate with the Saudi Government in the Dairy and Food Polytechnic that trains young Saudi Nationals in our industry.

There was good progress in Project Horizon in 2017, our bespoke succession planning initiative for more senior roles. This project is in cooperation with Korn Ferry and the renowned IMD business school and creates tailor-made courses on leadership, business and innovation. Almarai has made a significant investment in this and by the end of 2018, Almarai will have trained all three senior management layers to IMD standards. Since 2014, we have trained more than 37,000 people via multiple programmes.

A closer look at Almarai 2025

We conducted extensive work on the details of our Almarai 2025 strategy during the year.

A key component is our roadmap that will see us focus on core businesses in the Gulf Cooperation Council (GCC) while maintaining our leadership in all categories in Saudi Arabia. At the same time, we will continue the strong turnaround momentum in our poultry operations, our infant nutrition business

and our PepsiCo, International Dairy and Juice (IDJ) joint venture in Egypt and Jordan.

Almarai 2025 has a very strong focus on growth. We intend to unlock significant long-term value from our agriculture and farming operations. We have created a new Foodservice Division to service the growing HORECA (hotel, restaurant, catering) sector. Almarai 2025 also analyzes opportunities for extending our geographic spread beyond the GCC.

Finally, Almarai 2025 has also helped us determine how we will achieve our business ambitions. A key discipline will be a lean cost base and ensuring we have the innovation and marketing resources to identify new consumer trends. This will allow us to bring new, high quality products to market with speed and agility within a strong brand architecture. We have identified the need to transition from legacy systems to state-of-the-art integrated manufacturing, procurement and logistics systems. We will also develop our ability to attract and retain talent. Finally, we are aware that organic growth will need to be complemented by acquisition activity. We will therefore consider acquisitions that can take us into adjacent markets or new categories.

Nurturing the power of innovation

What do we mean by innovation? To Almarai, it is about challenging the way we operate to ensure we create new products, new processes and find new solutions to business challenges. We believe innovation involves embracing change and striving to become a smarter organization. Our philosophy is that innovation results from everybody at Almarai understanding they have a part to play in increasing efficiency across our business. Almarai has been building its culture of innovation for 40 years.

Maximizing value through sustainability

Sustainable businesses are more profitable, more productive and better equipped to face future challenges.

Our manufacturing operations are environmentally, economically and socially sustainable. We create products that are key components of a healthy diet and offer tasty, nutritious and fresh food and beverages including low fat, low salt and low sugar options.

Outlook

In the coming year, in our home market of Saudi Arabia, the introduction of VAT, the removal of subsidies and the implementation of the expatriate levy will all have an impact. Saudi Arabia's Vision 2030, and the National Transformation Plan associated with it, will also bring many changes and Almarai is implementing its own transformation alongside the nation. Because Almarai is already expanding throughout the GCC and broader Middle East, we believe that our Company's strategy aligns with the objectives of Vision 2030.

We already draw on a 40 year heritage of innovation, of responding to change and leading the way forward. Our vigorous development programmes will help to strengthen our organization and ensure we continue challenging the way we do business.

I am confident Almarai has the agility, expertise and financial strength to retain its position as the leading innovator, manufacturer and distributor in the region's food and beverage industry.

Georges P. Schorderet

Chief Executive Officer

Market overview

We monitor global, regional and national market trends carefully to ensure we can respond in an informed manner to market changes. Agile commercial innovation is now more important than ever if we are to maintain and grow our profitability, become more resilient and continue our sector leadership.

Global trends

Consumers across the globe are looking for new characteristics in their food consumption, such as health, convenience and affordability. We are seeing evidence of consumers worldwide starting to move away from the traditional retail outlets to ordering and purchasing food online using digital channels. Complementing this is the growth of proximity shops, meaning stores that are close to a consumer's residence rather than in a more distant retail outlet or mall. In the Middle East, these small local groceries are referred to as 'around the corner shops' or bakalas.

Regional trends

The population of the Gulf Cooperation Council (GCC) countries is approximately 52 million, while the wider Middle East and North Africa (MENA) region has a population of 437 million. Around the Middle East, there is a growing middle class with evolving food habits.

Moreover, while the population is growing, it is very young. According to the Oxford Business Group, MENA has the largest youth population in the world, with more than half the residents under the age of 25. The GCC youth bulge – the percentage of under 25s – ranges from 25% to 50% depending on the country. These demographic issues drive our product development discussions and consumer research.

Key issues include regional conflicts as well as economic difficulties such as in Egypt, where devaluation in 2016 caused soaring inflation and rising borrowing costs.

One of our strengths is our agility, our ability to rapidly respond to these changing conditions and find a new path forward. We continue to improve our supply chain efficiency and to enhance the quality of our products and services, ensuring that our customers get the freshest possible products in perfect condition. We optimize our planning to manage the short shelf life of much of our portfolio, which requires a good understanding of consumer needs, careful forecasting, a strong procurement function and efficient processes for importing raw materials, all founded on the financial strength to set the correct inventory levels and avoid waste.

Saudi Arabia

Recent figures suggest food accounts for some 21% of consumer expenditure in Saudi Arabia, valued at SAR 185.0 billion. Packaged food represents 53% of that with fresh food and foodservice (HORECA: hotel, restaurant and catering) comprising 33% and 15% respectively. Nielsen data from August 2017 indicates Saudi Arabia's food market declined by 5% over the previous 12 months. We see five important trends that are shaping the markets in Saudi Arabia and hence our business plans.

21%

Of consumer expenditure in KSA is on food which is valued at

SAR 185.0B

1. Single digit growth

First, after many years of economic growth in high double digits, the growth prospects for the GCC are forecasted to be in single digits going forward. In the face of weak oil prices, the World Bank forecasts the Saudi economy will grow by 2.0% in 2018 and a similar amount in 2019. In the FMCG sector, a Nielsen retail audit released in Q4 2017 showed that expenditure on food declined by 5.4% in the year to August 2017, reflecting recent expatriate worker departures. More optimistically, the ongoing social changes in Saudi Arabia as a result of Vision 2030 will provide huge opportunities for growth and development in our sector for companies agile enough to react quickly.

2. Retail trade changes

Second, there is strong channel shift in Saudi Arabia with more online servicing and discounters entering the retail market. The HORECA sector is now well established and Saudi Arabia has large hypermarket chains with growing buying power and the ability to specify pricing and service requirements.

3. Inflationary pressure

Third is the issue of inflation with a range of costs increasing. Nielsen Shopper Trends data from February 2017 revealed that 65% of the Kingdom's consumers have felt the pinch of inflationary pressure. In order to finance a budget deficit caused by low oil prices, the Government is reducing general subsidies while providing lower income groups with additional support. Overall this has increased the price of energy, utilities and fuel. A special tax on carbonated and energy drinks was introduced in June 2017. The national push for Saudization is also impacting costs, especially through the expatriate levy on non Saudis working in the Kingdom. The expatriate levy tax began in July 2017 and was collected directly from non Saudis for each of their dependent resident within KSA. The levy started at 100 riyals per month per dependent and is expected to gradually rise each year to reach 400 riyals per month by July 2020. Another important change is that from 1 January 2018, Saudi (and indeed most GCC) citizens are paying VAT on the goods and services they buy. While the standard rate of VAT is only 5%, this will inevitably increase the Kingdom's inflation rate owing to cost structure inflation. It is likely that consumer products will be repackaged into formats offering different weights and volumes at higher price points (for example: a 100ml product at 1.0 riyal becomes 125ml at 1.5 riyals) and alongside this, as seen in Western markets, manufacturers will reduce some product weights to maintain overall sales value at important price points. As an FMCG company, we manage pricing on our products to ensure we are always sensitive to consumers' needs – 80% of Almarai sales are of products with prices below 8 riyals and 25% of our sales are at prices below 2 riyals.

4. Food on the go

As households feel pressure on their disposable income, we are seeing a trend of 'snackification' in which products are appearing in smaller packages and the 'family packs' that were once the norm are now the exception. Nielsen Retail Audit Data from 2017 showed single-serve formats gaining in importance by 3.4% for juices and 0.6% for laban between June and September 2017 compared to the same period the year before. Other changes in shopper behavior include consumers cutting down on essentials and making purchases when products are on promotion.

Out-of-home channels (also known as Food 'on the go') are also growing as people choose to eat at work or at school, a trend that is increasing demand for food that can be eaten 'on the go'. Alongside the tendency for households to cook less frequently, there is a move towards healthier eating as well as ready-to-eat formats. The ready-to-eat trend is driven by the growing number of women joining the workforce with figures from the Ministry of Labour and Social Development in March 2017 showing the number of Saudi women working in the private sector had increased by 130% in the previous four years. Almarai is already responding to these trends. In our poultry range, for example, we sell marinated ready-to-cook whole chickens in four flavors. In the bakery segment, we have launched a ready-to-eat cream cheese sandwich. We are studying other trends to determine if, when and how we should bring new products to the market.

5. B2B (business-to-business) expansion

Finally, another trend is seeing our role go beyond B2C (business-to-consumer) as regional food companies ask food manufacturers to sell direct, allowing the food companies to operate as wholesalers. We are looking at the new commercial opportunities opening in that channel.

In the fresh milk category, we believe it is unlikely a competitor can overcome the significant barrier to entry in terms of the capital expenditure required. But we are monitoring potential threats that can come from manufacturers looking to dump low-cost products into the region, especially in long life milk and poultry. Overall, our home market remains exciting and continues to change rapidly. We are focused on market share and execution, while remaining agile and ensuring we listen to consumers and customers. Our sales and distribution network, underpinned by our experienced and committed teams, gives us a unique advantage. At Almarai we have spent 40 years building an innovation culture that starts at the top of the Company and reaches down to the grassroots.

By combining the battle for market share with our commitment to investing in innovation, we are confident that we can continue to grow and develop.

Business model

Innovation in all we do

Almarai’s distinctive business model is focused on achieving ‘Quality you can trust’. A commitment to continual improvement lies at the heart of our day-to-day activity – and our business model helps management and staff understand and manage the interrelated processes that contribute to our effectiveness and efficiency.

Inputs

Raw materials

We have over 1,700 suppliers with more than 55,000 different items and spent SAR 7.5 billion on raw materials and capital expansion projects.

Advanced manufacturing

Across Saudi Arabia at our 3 bakeries, 4 ultra-modern dairy processing facilities, Juice plant, blow molding factory, poultry processing factory and our state-of-the-art Infant Nutrition facility, Almarai employs almost 6,800 people operating 138 production lines.

Best-loved brands

42 million people choose Almarai every day. That trust is rebuilt every day, through innovative products that delight the whole family.

Innovative people

Our 42,700 workforce are inspired by innovation. Our training, development and recognition processes are recognized as world class.

Strong financial support

Our robust financial management and low leverage mean that we have excellent access to capital markets across the globe including bank facilities, sukuk and Government funding and equity investment.

Adding value

Business unit structure

On 1 October 2017, Almarai moved from a functional structure to a business unit model, deliberately focusing the energies of our management team on the end-to-end sales, profit and return on invested capital of each of our core categories. Dairy, Fruit Juice, Bakery, Infant Nutrition and

Poultry all now function as separate Business Units serviced by Sales, Distribution and Logistics, Procurement and other Corporate functions. With our Food Service business unit, we are now directly addressing the needs of the HORECA (Hotels, Restaurants and Catering) segment, where there

is strong growth in out-of-home food and beverage consumption. Finally, to grow the opportunities for sales across the GCC and beyond, our Exports team have worldwide export responsibilities.

How we do it



Crop cultivation and selection

We feed our animals the highest quality feed, 82% of which is imported from abroad, to preserve the local water supply. In 2017, more than 75% of our green forage requirement was imported, most of which was sourced directly through our own arable farming operations in Argentina and USA.



Extraordinary care for farm animals

Our dairy herds and poultry flocks receive best-in-class 24-hour veterinary care, temperature-controlled housing and highly nutritious feed, ensuring maximum yields and a high quality end product.



Best-in-class manufacturing and processing

Our manufacturing facilities employ cutting-edge technology to create nutritious products on a large scale. Our facilities are continuously expanded, renovated and improved to meet ever-growing demand.

Our commitment to quality

The maxim by which we live and work daily – ‘Quality you can trust’ – is part of our DNA.

In 2017, we completed our annual ISO on-site surveillance audit, following the 2016 award of our ISO 9001:2015 certificate.

Our core values under ASPIRE (Adaptable, Sharing, Passionate, Innovative, Respect, Excellence) link closely to the principles of world class quality management. ASPIRE’s commitment to innovation underlines that our

culture seeks continuous improvement.



Outputs

Shareholder value

Our returns to shareholders have been consistently strong over the last 40 years. We will continue to deliver returns to shareholders in terms of dividends and to create compelling returns for our long-term value investors.

People

Almarai is recognised as one of the best employers in the GCC. Every employee at Almarai is encouraged to train and develop to the best of their ability. In November 2017, Almarai won two awards for Culture of Happiness and Best Culture of Learning at the LinkedIn Talent Awards MENA.

Society

Our Corporate Social Responsibility (CSR) and Sustainability programmes support Vision 2030 by connecting to every level in society, from support for needy children through to ensuring we continuously reduce our environmental footprint.

Consumers

By delighting our consumers and giving them healthy, nutritious foods and beverages at prices they can afford, we maintain our brands and our reputation.



Exceptional transport and logistics capabilities

Almarai's Transport and Logistics division is larger than any logistics company in the Middle East. More than 8,500 trucks and reefers delivered close to 2.0 billion liters/kilograms of product throughout 2017 on time and in perfect condition.



Consumer insights and powerful branding

We have earned the trust of consumers to become a brand that is known and loved across the Middle East. We constantly gather feedback to maintain our commitment to quality and consumer satisfaction.



Innovation is in our DNA

Our commitment to innovation as a core value continues to underwrite our quality culture and the maxim by which we live and work every day: 'Quality you can trust'.

Almarai innovation management

Almarai has a sophisticated 'stage-gate' innovation management process to capture product ideas across the business and manage them to final launch.

At any moment we are progressing around 200 projects in our pipeline to both help us meet new consumer trends and to maximize the efficiency of our operations.

Our strategy

Turning Vision into Action

Our Board of Directors reviews Almarai’s five year plan annually. It reaffirms our vision to be the consumer’s preferred choice by leading in chosen markets with superior food and beverage products. We are committed to growing our presence across categories and geographies, while driving innovation and identifying new opportunities for growth.

Quality you can trust



First-class ingredients

Maximize farm yields and quality

Industry leading manufacturing

Safe, legally compliant and superior products

Sophisticated transport and logistics

Consistently meeting consumers’ expectations

Culture of quality

Integrated Quality Management System

Quality you can trust is part of our DNA. We have adopted the ISO 9001:2015 quality management system requirements and implement it rigorously. Quality is embedded into our Company’s operations from the highest levels of management all the way down to front-line staff. As an example, the level of complaints received at Almarai per unit sold is approximately one in 4 million, comparable to global best standards.

We completed our second annual ISO on-site surveillance audit in 2017, following the initial award of our ISO 9001:2015 certificate.

In 2017, to help unify our Quality Management System (QMS), we implemented an Integrated Management System (IMS). The IMS applies across Almarai, with the aim of better aligning quality management with other standards and adopting a broader, risk-based approach. The IMS contains all the requirements of the ISO schemes, Saudi Arabia’s regulatory obligations and Almarai’s own standards.

Defend and grow the core business



Category growth driven by consumer insights

Selectively extend core categories into higher value offers

Increase market share and growth in certain channels and geographies

Optimize margins

Increase capacities

Secure importation of feed

In 2017, we achieved continuous growth of market share across our core categories, even in cases where the category itself is declining. By maintaining quality while reducing costs we improved margins.

Almarai has worked hard over recent years to secure the supply of the highest quality alfalfa hay from outside Saudi Arabia for our dairy business. We announced during the year we had made significant progress and that we are on track to import 100% of our alfalfa requirements from 2019 onwards.

Almarai 2025

During 2017 we conducted Almarai 2025, a full strategic review that goes beyond our usual five year business plan. Almarai 2025 is a much broader vision for the future that identifies specific, quantifiable and measurable goals, and sets out where we should play as well as how

we should win. We have defined a new business-oriented operating model, with clear reporting lines as well as defined responsibilities and accountabilities. The Board is confident that Almarai 2025 will deliver our vision against a challenging economic and political background.

The Almarai Vision into Action statement embodies all aspects of our strategy and incorporates a performance scorecard (the financial targets we set ourselves) reinforced by our priorities and sustainability commitments. It provides a clear basis for communication to all levels throughout Almarai.

We use Key Performance Indicators (KPIs) to measure the success of Vision into Action against our strategic priorities. These KPIs cover our financial, employee, operational and consumer performance. The Board remains confident that its strategy and action plan will deliver against a background of challenging economic and political contexts in the GCC and MENA region.

Turnaround of underperforming assets



Poultry (broader availability/extend brand/extend channels/reduce costs)

Joint Ventures (grow net sales/transform supply chain/reduce costs)

Infant Nutrition (close gap on competition/safeguard specialized suppliers/intensify healthcare relations/extend distribution)

For the full year 2017, our poultry operations reported breakeven results at EBIT level. This is a highly significant turnaround that reflects successful work on bird health, which increased our operational efficiency and boosted sales. By achieving a more consistent product supply, we improved availability and began supplying the HORECA market (Hotels, Restaurants and Catering), where there is strong growth in out-of-home consumption. We also made good progress in International Dairy and Juice (IDJ), our joint venture with PepsiCo in Egypt and Jordan. In Egypt, while the 2016 currency devaluation impacted our operations severely, the underlying business is sound. In 2017 we achieved revenue growth in excess of 30%, along with significant gains in market share.

Infant Nutrition implemented an important new liquid product strategy at the end of 2017. This is a fundamental change in our business that brings a major game changing innovation to the market and will have a significant impact on the category. Until recently, infant nutrition has been based on powder products. Following our successful introduction of liquid nutrition, and as the only company with a powder and liquid product manufacturing plant in the region that can supply local markets quickly, we are in a stronger competitive position.

We have already acted on Almarai 2025 with the 1 October 2017 restructuring that realigns Almarai around specific businesses rather than functions.

Develop world class capabilities, transform the organization



Enhance organizational structure

Improve leadership development

Improve employee retention

Develop world class trade and consumer marketing

Improve consumer insight gathering

Develop world class sales for new channels

We continued to progress our broad programme of training, education and development throughout the year. This includes the Almarai Academy that offers 7,000 courses designed to nurture talent and the Almarai Future Leaders Programme, with the first batch expected to graduate in 2018. We also run the Graduate Professional Training scheme that attracts local, fresh graduates, while the Dairy and Food Polytechnic, run in collaboration with the Government, trains young Saudi Nationals with dairy and food competencies in support of the Kingdom's Saudization scheme. The roll-out of Project Horizon, our bespoke succession planning initiative for more senior roles, continued in 2017. This project is in co-operation with Korn Ferry and the renowned IMD business school and creates tailor-made courses on leadership, business and innovation. By the end of 2018, Almarai will have trained all three senior management layers to IMD standards.

Since 2014, we have trained more than 37,000 people via multiple programmes.

We are also working with the Government to identify how Almarai will contribute to the success of Saudi Arabia's Vision 2030 and the National Transformation Plan 2020 that supports it.

Divisional review

Dairy: Fresh Dairy, Long Life Dairy and Dairy Foods



Fresh

The fresh dairy segment has been at the heart of our business since Almarai's foundation in 1977. We are the world's largest vertically integrated dairy producer and the GCC's market leader. Our products include fresh milk, laban (buttermilk), zabadi (plain yoghurt), labneh (sour cream), fresh cream, fruit yoghurts and dairy desserts. These are available to consumers across the GCC, Egypt and Jordan through more than 110,000 retail outlets. Almarai had a challenging year in fresh dairy in 2017. Weaker consumer confidence and issues arising from border closures within the GCC created significant market challenges during the year. Despite these difficult macroeconomic conditions and market disruptions, Almarai responded well with a focus on holding market share and controlling costs. We made good progress in 2017 in securing the supply of quality alfalfa from outside Saudi

Arabia to support our dairy business.

By year end, more than 75% of our alfalfa requirement was imported from overseas. We remain on track to import 100% of our alfalfa requirements from January 2019. In labneh, we focused on the long life segment and increased our market share significantly. In zabadi, improved availability and shelf presence helped us further cement our market leadership position. Our zabadi sales also benefited from the introduction of products for the foodservice industry (HORECA: hotel, restaurants and catering). In laban, we grew market share in a declining market.

Long Life

Our long life dairy product portfolio includes UHT milk, evaporated milk, whipping cream, cooking cream, UHT cream and Almarai milk powder launched in early 2016. Prior to 2016, we had not been in the powdered milk category, which represents nearly 30% of the GCC's total milk market. In the past, the powdered milk and UHT milk market have served as a means of balancing any excess of fresh milk supplies.

In 2017, we set ourselves the objective of enhancing our market share and developing our long life dairy category. We performed exceptionally well with a pricing strategy that helped us achieve a 25% market share by the end of the year. We aim to sustain our performance in long life and have deployed strategic marketing resources in packaging, promotions and advertising. Our push on long life dairy saw Almarai



evaporated milk double its sales volume in 2017 alongside significant growth in UHT milk.

The highlight of the year was the consolidation of our 2016 entry into the powdered milk category. We strengthened availability and invested in advertising, completing our first full year in powdered milk with a successful performance that is in line with our long-term target. Almarai has created a successful challenger brand in powdered milk, increasing volume and gaining significant market share in just 18 months.

Dairy Foods

Our dairy foods portfolio offers a range of products that are targeted at families and individuals. It includes four main segments: Processed Cheese, Natural Cheese, Butter and Creams.

Amid a challenging year, we continue to drive growth through our portfolio renovation supported by a robust product development pipeline, acceleration of food service channel development, as well as the effective use of advertising and promotional activity. Furthermore, we managed to significantly reduce product costs through product reformulation and cost rationalization programmes.

We maintained our market share in most of our key categories, while driving leadership on Jar Cheese, Slice Cheese, Triangle Cheese, Feta, Halloumi, Shredded Mozzarella and Butter. Triangles and Shredded Mozzarella became market leaders in KSA for the first time in 2017.

Divisional review continued



Fruit Juice

Almarai juices are available across the GCC where we offer consumers a wide range of mixed and 100% juices, including a range intended specifically for children. Our range included 20 flavours at year end, while the International Dairy and Juice (IDJ) joint venture juice products in Jordan and Egypt took the total to more than 30 flavours. We have redefined the category with superior and innovative offerings such as local flavour variants and the inclusion of pulp to add variety and excitement. Our brand also benefits from differentiated value propositions, a rich heritage and high quality.

Almarai launched four flavours in a long life carton format under the Joosy Life brand at the end of 2017. Joosy Life gives the consumer a premium taste product at a lower price point.

With their disposable income under short-term pressures, consumers do not treat juice as an essential need and are buying juice products less frequently. As a result, our total juice business dropped in sales value and sales volume. Despite the reduced frequency of purchase, we are gaining market share in this shrinking segment. Currently we have roughly 18% market share in the GCC. We achieved this by making family formats more accessible through price and size changes across the whole portfolio of 20 flavours, and by selling more single-serve formats. A major image campaign around the theme of 'Life's Best Colour' that ran across the GCC, enhanced brand perception and contributed to our improved market share. Joosy Life is also supporting market share performance by targeting new consumer occasions – such as school lunch packs – that are adjacent

to the current portfolio. Joosy Life represents an important milestone in our development as it represents our entry into the long life juice category.

In Egypt, the juice market continued its adjustment throughout 2017 responding to the two devaluations of the Egyptian currency in 2016. Our International Dairy and Juice (IDJ) joint venture faced a challenging foreign exchange exposure which exacerbated market pressures.

Bakery



Bakery

We have grown our leadership of the GCC's bakery category by expanding distribution and developing new products. Our L'usine and 7Days brands (the latter a joint venture with Chipita and Olayan Group), offer sweet and savoury baked goods to consumers across the GCC.

With our bakery plant in Hail beginning production at the end of 2016 (and replacing capacity lost due to the 2014 Jeddah bakery fire), we had the advantage in 2017 of a new plant using highly efficient technology.

In our bakery segment, we maintained market share in a challenging market that saw significant competitive pressures. Continuing investment in our retail network helped us gain shelf space and shelf share.

While our bread category faced heavy competition due to aggressive price promotions, we reacted vigorously and maintained our leadership with a stable 65% market share.

In the snacking category, we faced the challenge of new entrants but responded quickly. We relaunched our puff range and invested in improved packaging and supporting communications for our croissant range to achieve higher year-on-year sales growth. We closed the year in a dominant market position in puffs and croissants (7Days and L'usine). Our unique sandwich product continued to dominate the market.

The strong momentum from our 2016 L'usine cupcake launch continued throughout 2017 with Almarai achieving market leadership in just four months.

With Hail bakery plant providing increased capacity for our L'usine burger buns and sandwich rolls, we boosted volumes significantly. We also built on our 2016 launch of brown rolls and achieved good growth.

We saw continued success in our established 'value products' strategy in which we create premium products at higher price points to fill a niche not offered by competitors. A good example of this innovation in 2017 is our launch of milk sandwich rolls.

Other innovations included our 7Days jumbo croissant offering consumers a unique new flavour in the market. We also launched a premium L'usine butter croissant and introduced a premium puff range in November.

Divisional review continued



Poultry

Introduced in 2009, our poultry range has enjoyed impressive sales growth, with CAGR of 55% from 2009-2017. Alyoum's premium fresh products vary from whole chicken to portion packs and value-added options. The Alyoum brand focuses on delivering a convenient, premium product, with value-added and portion options proving especially popular. Almarai (Alyoum) is the market leader with a market share of higher than 40% in fresh poultry and we sell poultry products in Saudi Arabia, UAE, Kuwait and Bahrain.

We achieved a major turnaround in 2017 as poultry transitioned from a loss-making position to report positive EBIT for the first time since Almarai entered this category. This is the result of consistent innovation and improvement in our poultry farming operations, with a

focus on enhancing bird health and quality. Our performance in bird health is now in line with global best practices which is an important milestone on the road to improved profitability which will reflect a satisfactory rate of return from this investment. In general, two-thirds of daily protein requirements are derived from poultry consumption in the Arabian Peninsula and, as such, this market has sound potential going forward.

We also took measures in 2017 to improve overall operational performance by rationalizing manpower requirements in production, and by increasing efficiency along routes from sales depots to our customers.

Alyoum is a premium brand and we continue to innovate. In 2017, we introduced marinated fresh whole chickens in chilli, curry, BBQ and Mexican flavours. These new products were a huge innovation in the poultry segment. They featured new packaging that helped us achieve 100% volume growth in this segment by the year end. Fresh retail has been the core of our activities, however, we are expanding into new channels to increase top-line growth and diversify market risk.

Infant Nutrition



Infant Nutrition

We manufacture our own range of nutritional products and supplements under the Nuralac, Nuralac Plus, Nurababy and Nuramama brands.

Today, with our own distribution network, we deliver them to families across Saudi Arabia and neighboring markets.

Nuralac brands out-performed the market in 2017, posting strong growth in a category which is declining due to flat birth rates and a contracting economy. In 2017, Nuralac Plus was the fastest growing milk formula brand in Saudi Arabia.

In 2017, Nuralac also moved from a challenger brand to an industry innovator, delivering the first locally-produced ready-to-feed (RTF) milk formulas directly to hospitals, and launching the first complete range of liquid, ready-to-drink (RTD) infant and children's milk formulas in the Kingdom.

The launch of Nuralac's ready-to-drink liquid range is expected to transform Saudi infant nutrition category. The new liquid range represents a practical and convenient feeding solution for mothers, both at home and on the go. Almarai is creating a whole new liquid segment in the infant nutrition category. Almarai's proximity to the market, local production capability and vast regional distribution

network give us an important market advantage, especially for liquid products with a shorter shelf life.

The launch of Nuralac ready-to-drink, with its choice of 7 products, represents the largest ever expansion of the Nuralac infant nutrition portfolio, now a complete family of 25 individual offerings from infant and children's formula to baby cereal and nutritional supplements.

CFO review

Innovation is at the heart of Almarai

Almarai's ability to innovate, produce and deliver quality products at a large scale and depth is supported by robust financial management.



Almarai's ability to innovate, produce and deliver quality products at a large scale and depth is supported by robust financial management. With a herd of over 185,000 cattle, multiple factories throughout the Kingdom of Saudi Arabia and operations spread over the globe, Almarai must be able to operate within various and diverse economic environments.

2017 was a year of uncertainty and volatility in the financial markets. Almarai has been able to fare well financially, and maintain ample and competitive access to funds and manage its financial risks and exposure within the agreed risk framework defined by the Board of Directors.

Saudi Arabia continued to undergo important macroeconomic and policy changes in 2017, including inflation and Government reductions in public spending to address the budget deficit. By year end, the Saudi economy started to regain momentum following the contraction in output seen in the first half of the year. In 2018, the introduction of various reforms including VAT, alongside the change in demographics, will have a further impact on consumer

confidence and the local economy in the near term. However, as the economy normalizes and the local population adjusts to these broader structural changes, we believe these reforms will bring benefits in the medium term.

There is currently a weaker macroeconomic environment across the wider Gulf Cooperation Council (GCC) and Middle East North Africa (MENA) region. Additional pressures have arisen from regional economic and political changes. For example, Egypt is still adjusting to the significant currency devaluations of 2016.

Reducing leverage

Almarai, in the context of its annual strategic review, has set its capital expenditure at a new level of between SAR 1.5 billion and SAR 2.5 billion going forward. This level represents well over 15% of sales and will continue to support our innovation and expansion programme. The capital investment foreseen for 2018 and the remaining four years of our current five year business plan will focus on replacement of existing assets, improvement of production capacities in farms including

investment in alfalfa production overseas capabilities, manufacturing, distribution and transport, as well as the enhancement of innovation and product development. We have also undertaken a review of the Company's leverage which, until recently, was managed within a maximum limit of 3x Net Debt to EBITDA. The management team has revised this target downwards to a much lower leverage ratio of 2.5x Net Debt to EBITDA.

This objective should be met through the increase in Free Cash Flow that started in 2017 and is expected to continue in 2018.

Funding

Historically, Almarai has had ample, diversified and competitive financing, and up until now has relied on local banking partners, either Government related or private, and local sukuk issuances. Going forward, however, Almarai is considering international financing solutions such as international bonds, or international sukuk. This will provide access to a wider pool of funding options, broaden our investor base, enhance financing costs and allow us to obtain longer tenor debt.

Managing risk

Almarai continued in 2017 to manage interest rate risk, currency risk and commodity risk effectively. During the year, the maturity profile of our existing debt facilities was between 4.4 and 4.7 years. The proportion of fixed rate debt within the portfolio remains within the 50% and 60% range. The foreign exchange exposure, mainly to the Euro, British Pound and Egyptian Pound, was actively managed to deliver gains in 2017. In countries experiencing high levels of inflation – particularly

Argentina and Egypt – the impact of currency movements on the Company's cash flow have been mitigated. The capital structure of these foreign subsidiaries will be further optimised to limit foreign currency exposure, whilst limiting the total funding needs. The commodities hedging programme for corn, soya beans and sugar continued and has been enhanced to ensure and maintain the established risk framework and to mitigate the impact of input price volatility.

The uncertainty in the financial environment will continue in 2018, however, Almarai has built a solid balance sheet and should deliver the free cash flow necessary to weather the expected turbulences within the agreed risk framework.

Paul-Louis Gay

Chief Financial Officer

Five year financial highlights*

(SAR million)	2017	2016	2015	2014	2013
Operational Performance					
Revenue	13,936	14,339	13,795	12,606	11,219
Gross Profit	5,584	5,522	5,283	4,535	3,952
Operating Profit	2,583	2,518	2,262	1,998	1,797
Profit attributable to Shareholders	2,182	2,148	1,916	1,674	1,502
Balance Sheet					
Net Working Capital	1,411	1,318	1,383	2,006	1,535
Property, Plant and Equipment	22,402	21,145	18,696	16,176	15,028
Biological Assets	1,371	1,367	1,228	1,070	992
Intangible Assets	1,047	1,040	1,009	1,350	1,310
Investments	220	199	198	325	479
Net Debt	10,910	10,883	9,344	8,762	8,053
Total Equity	14,881	13,478	12,618	11,631	10,764
Total Assets	31,896	29,194	27,371	23,949	23,171
Total Liabilities	17,015	15,716	14,753	12,318	12,407
Cash Flow					
Cash Flow Generated from Operating Activities	4,614	4,473	4,932	3,199	2,586
Capital Expenditure	2,744	4,497	4,005	2,740	2,799
Free Cash Flows	1,304	(509)	523	84	(716)
Key Indicators					
EBIT to Sales	18.5%	17.6%	16.40%	15.80%	16.00%
EBITDA to Sales	28.1%	25.9%	24.2%	23.5%	24.4%
Return on Net Operating Assets	10.5%	11.1%	11.2%	10.7%	11.0%
Net Debt to Equity Ratio	73.3%	80.7%	74.0%	75.3%	74.8%
EPS (Earnings Per Share) - Basic** (SAR)	2.13	2.10	1.88	1.63	1.50
EPS (Earnings Per Share) - Diluted** (SAR)	2.11	2.08	1.87	1.62	1.49
DPS (Dividend Per Share)** (SAR)	0.75	0.72	0.69	0.60	0.60

* 2017 and 2016 figures are based on IFRS and prior years are based on SOCPA.

** Based on 1,000 million shares.

Internal Control and Risk Management

Almarai has defined its internal control and risk management processes according to the COSO¹ Framework principles, which defined industry best practice.

Almarai's Board of Directors and senior management use these principles in the course of setting the strategy and making decisions. Management then plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that the Company's objectives, stated below and articulated as per the COSO Framework, can be achieved while ensuring that associated risks are kept within the agreed risk appetite at all times. The Company's internal controls and risks are grouped in the COSO Framework categories detailed below:

- **Strategy** – high-level goals, aligned with and supporting a company's mission.
- **Operations** – effective and efficient use of resources.
- **Reporting** – reliability of financial reporting.
- **Compliance** – compliance with applicable laws and regulations.

Internal control participants

Senior management and oversight

Senior management are responsible for Almarai's Internal Control System, while the Audit Committee is responsible for oversight of the effectiveness of Almarai's control and risk management systems. To this end, senior management relies primarily upon the finance function disseminated throughout Almarai, the risk champions and the operational reporting lines (by business locations, regions, business units and/or subsidiaries).

Corporate Finance Department

The Corporate Finance Department is responsible for the finance function within the Company, both directly through centralized functions (Financial Planning and Analysis, Financial Policy and Regulatory Compliance, Consolidation, Treasury and Financing, Tax, Corporate Legal) and through functional ties with the financial controllers of the various business locations, regions, business areas and subsidiaries.

The Corporate Finance Department's additional responsibility regarding risk management and internal control consists of a direct focus on corporate governance and compliance-related topics.

The Chief Financial Officer chairs the monthly Finance Executive Committee which comprises Corporate and Divisional Finance, Legal, Business Systems Department, Investor Relations, Treasury and Risk Management and Internal Control.

Risk Management

Almarai's risk identification and risk management system adopts the COSO-based enterprise risk management framework geared to achieving an entity's objectives.

The Risk Management function comprises a dedicated corporate team as well as one assigned risk champion in each business area. The function is overseen by the Group Executive Management Team and the Audit Committee. The process of identifying and managing Almarai's risks is described below under the subheading Risk identification and assessment.

Internal Control Department

The Internal Control Department comprises a dedicated central team, which is supported by a network of local finance managers who report to the corporate managers of the business areas, but who are ultimately answerable to the Chief Financial Officer. The role of these finance managers is to ensure, through close and recurrent controls, that the Company policies and procedures are properly applied within their area of the Company.

The Internal Control Department's main responsibilities are as follows:

- preparing and implementing Almarai's internal control framework;
- defining (i) priorities related to internal control, and (ii) the methodology to be used for self-assessment, its testing and documentation;
- managing and analyzing (i) the internal control indicators, and (ii) the results of the assessments and action plans implemented by the community of finance managers;
- supporting and overseeing finance managers through coordination, communication and training initiatives; and
- identifying gaps in current policies and procedures and recommending changes to the Policies Group.

Internal Audit Department

Almarai has a fully developed and independent Internal Audit Department (IAD) reporting directly to the Chairman of the Audit Committee on all functional matters. IAD develops a risk-based audit plan that the Audit Committee reviews and approves annually. All control gaps identified during the audits are discussed with the senior management and remediation plans along with expected timelines are agreed. IAD independently follows up to ensure gaps are closed as expected. The Head of Internal Audit reports quarterly to the Audit Committee on all key matters and provides the Committee (and through the Committee to the shareholders) overall assurance of effective operation of internal control systems.

Other internal control participants

Apart from the financial governance in place within Almarai, the following departments perform regular internal reviews to ensure operational effectiveness and compliance with industry benchmarks and standards (ISO 9001:2015, 14001:2015, 22000:2005 and 27001:2013):

- Quality, Regulatory, Health, Safety and Security, Sustainability;
- Information Security and Quality; and
- Legal.

Internal control and risk management process

The Internal Control and Risk Management processes consist of the following five closely-related components:

- control environment;
- risk identification and assessment;
- control activities;
- dissemination of information; and
- continuous monitoring.

Internal Control and Risk Management continued

Control environment

The aim of the control environment is to make staff aware of the usefulness and necessity of internal control. Such awareness is the foundation of all other components of internal control.

Almarai's control environment is based on the following:

- Almarai's core values, which are widely communicated across the Company;
- Almarai's Corporate Governance Rules, updated and approved by the Board in December 2017;
- Human Resources and social policies, particularly regarding employee development and training;
- Directions given by the Board of Directors and Almarai's Executive Management to achieve continuous improvements in all operating procedures;
- Standardization of Almarai's operating processes and the regular use of a single integrated information system for the majority of functions;
- Deployment of the Almarai operating processes and the single integrated information system across all Almarai subsidiaries and geographies;
- Overlay of Almarai's internal control framework and Company-wide authority matrix, which is periodically reviewed to ensure Almarai's internal control and governance framework is up-to-date;
- An intranet providing standardization and governance documents that allow staff within Almarai's financial and non-financial community to stay abreast of Almarai's internal control and quality best practices; and
- Written guidance on internal control, assessment and remediation distributed each quarter by the Internal Control Department.

Risk identification and assessment

Almarai defines risk as "the possibility of an event occurring that will have an impact on its essential business processes and activities or the compliance, reporting or strategic objectives of the Company". Risks are evaluated via a combination of the consequences of an event and the likelihood of its occurrence.

Approach

Almarai has developed a methodology to manage potential business risks. This is aligned with recognized industry standards and best practices based on: the COSO¹ Enterprise Risk Model – Integrated Framework; and ISO² 31000:2009, Risk management – Principles and guidelines.

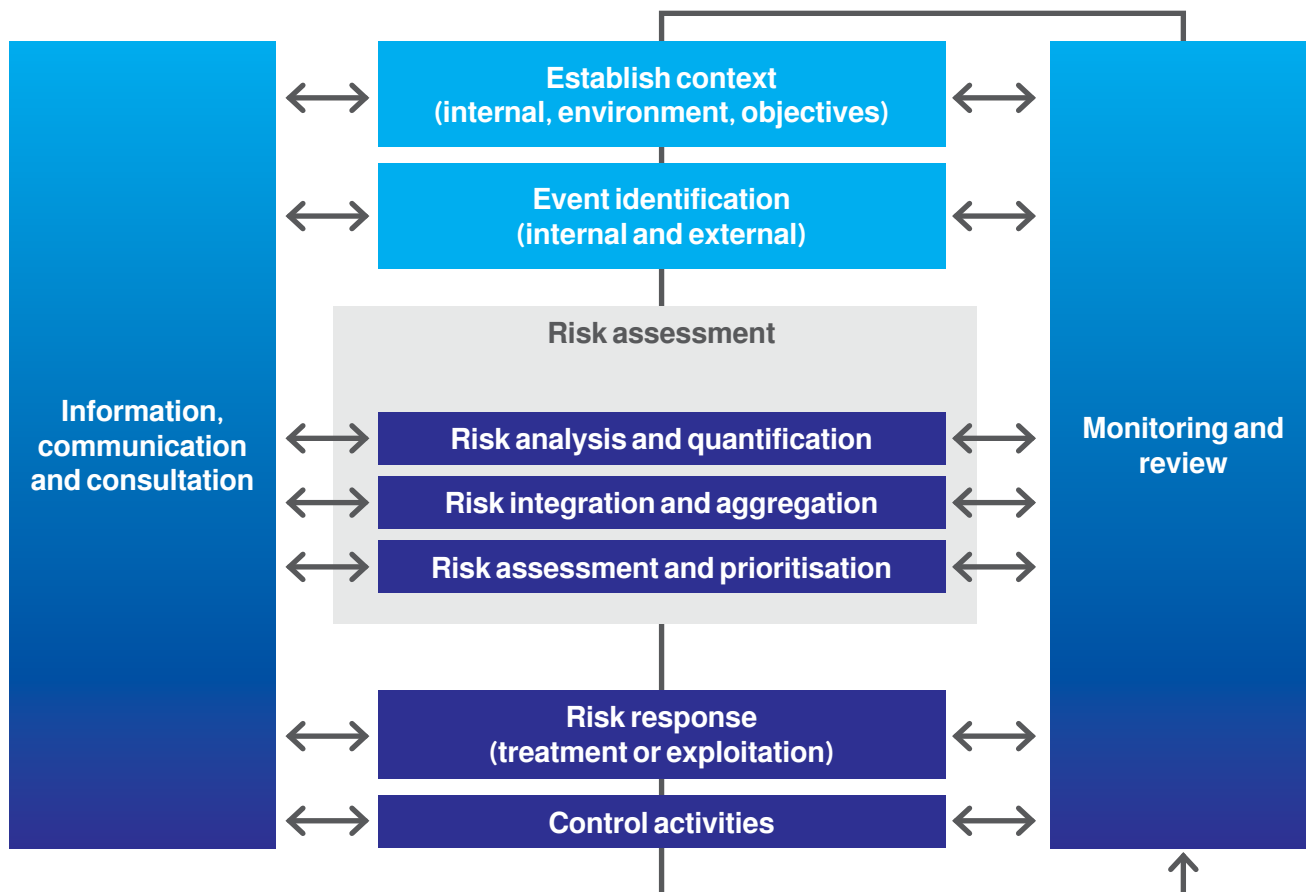
The methodology is reviewed regularly and, where necessary, adapted to ensure it evolves with the Company's business needs, thereby allowing Almarai to manage risks effectively and efficiently, supporting the achievement of short and long-term objectives.

The Almarai Risk Management Process (on the next page) is aligned to the COSO model components and process defined in ISO 3100:2009. This cyclical process is supported by Almarai's Enterprise Risk Management (ERM) Department through the provision of education, training and monitoring, review and assessment through guidance to business management teams and the use of an ancillary toolset for recording, analyzing and reporting on risks.

1 Committee of Sponsoring Organizations of the Treadway Commission.

2 International Organization for Standardization.

Almarai Risk Management Process

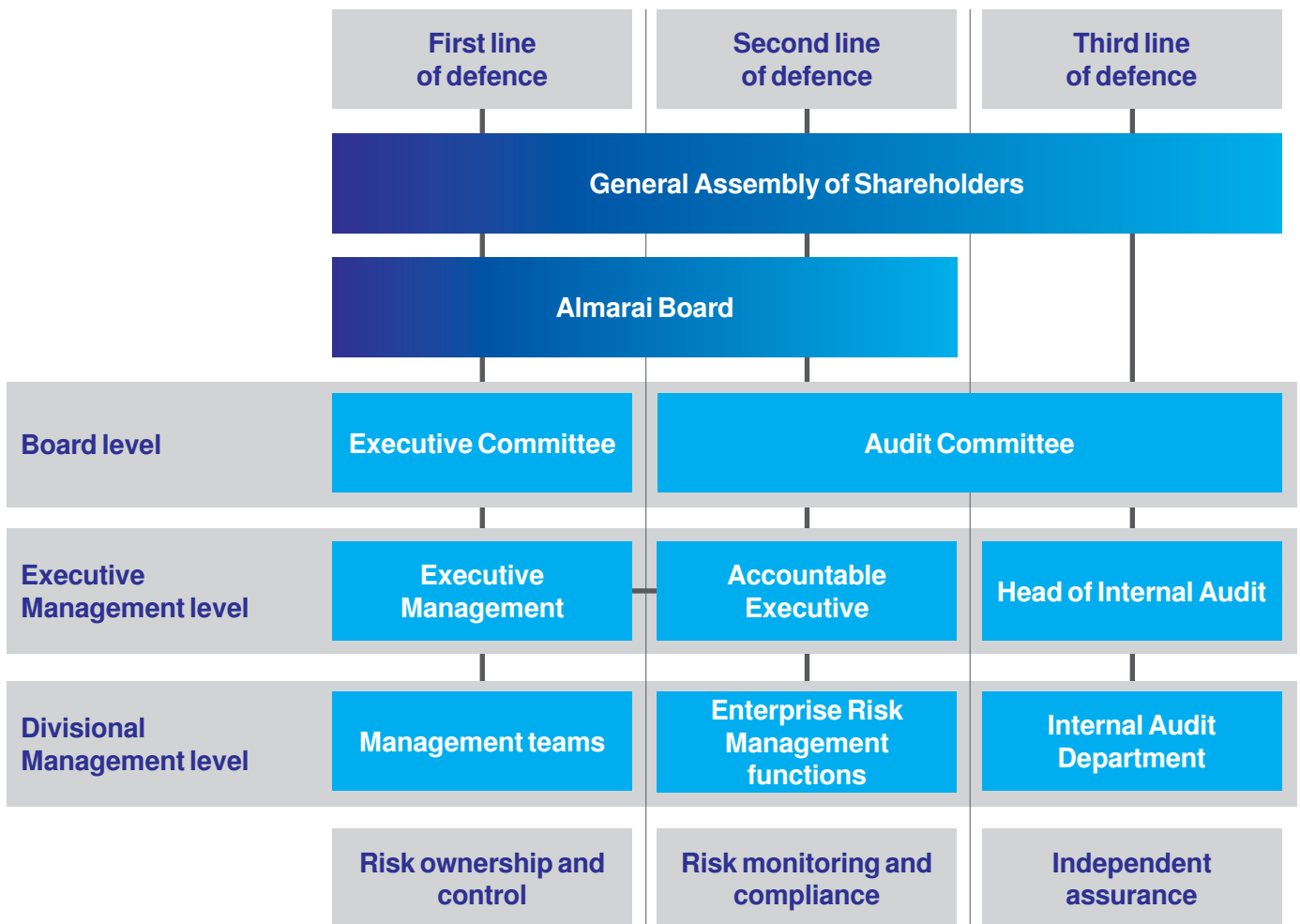


Internal Control and Risk Management continued

Managing risk

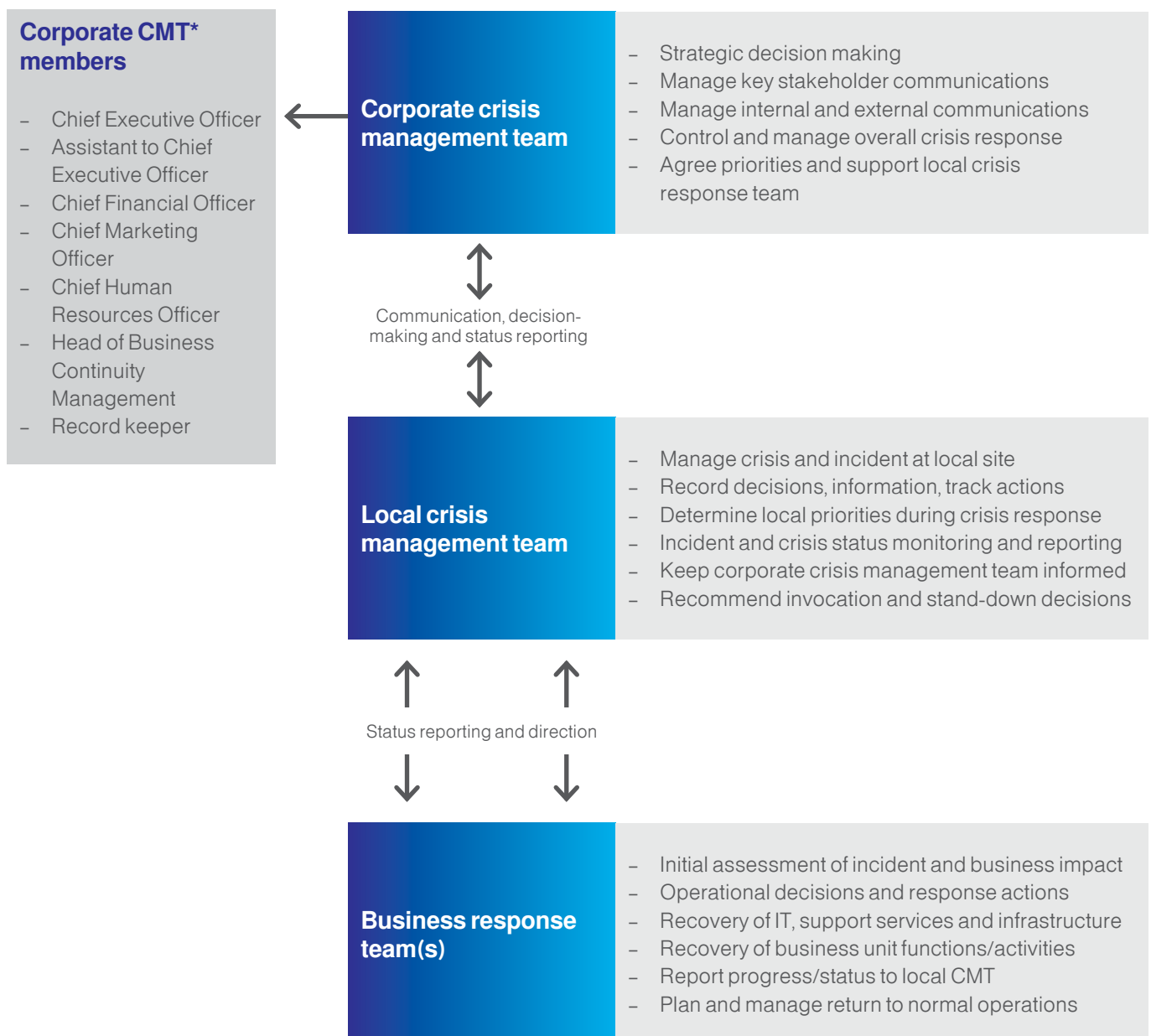
Aligned with industry-recognized and adopted best practice, Almarai operates a three-lines-of-defence model to ensure accountability across the Company for governance, management and reporting of risks and the control environment.

Almarai three-lines-of-defence model



Almarai crisis management structure

Almarai has developed a major incident and crisis management protocol, which can be activated if an abnormal or unstable event threatens the Company's strategic objectives, reputation or ongoing viability. The approach to these types of incidents is based on industry standards and best practice. It incorporates a three-tiered response system to ensure rapid decision-making and action.



* Crisis Management Team

Internal Control and Risk Management continued

Risk monitoring

Almarai's business risk register is reviewed quarterly by the risk champions and respective EVPs of each business area. It is then consolidated and challenged by the ERM Department at Almarai's corporate head office. The ERM Department present the most significant risks that Almarai faces to the Company's Chief Executive Officer, Chief Financial Officer and all the other Group Executives. A map of Almarai's major risks and risk mitigation plans is reviewed and assessed and this work serves as the basis for the presentations made to Almarai's Audit Committee.

Other elements of risk identification and analysis

Procedures such as competitive monitoring, training, risk prevention and protection, along with the initiatives of specialized departments such as the Quality, Health, Safety and Security Department and Information Security, all contribute to the identification, analysis and management of risks.

The Quality, Health, Safety and Security Department also helps to identify threats against Almarai's employees and assets. Almarai's Business Continuity function uses information in risk maps to identify potential crises and to prepare appropriate responses in all cases.

Control activities

Control activities are intended to ensure the application of the standards, procedures and recommendations that contribute to the implementation of financial policies. All business areas use a quarterly self-assessment process and send the results to the Internal Control Department, which analyzes them and sends summaries to relevant stakeholders. Appropriate action plans are put in place by the entities under the supervision of the Internal Control Department with the aim of facilitating continuous improvement. Internal reviews are subsequently carried out to validate that corrective measures have indeed been taken.

In addition, the performances and results of each operating unit in the area of internal control are regularly and systematically monitored by the management committee of the relevant entity.

Transmission of information

Appropriate information is identified, collected, quantified and disseminated in a manner and within a timeframe that enables each person to discharge their responsibilities. To this end, Almarai relies upon:

- its organization and information system, which facilitates the communication of information needed for decision-making; and
- training sessions for the network of internal controllers, including workshops and information-sharing seminars.

Almarai also uses an intranet site and various documentation database systems that enable information to be shared within the Company. This information includes not only financial information but also non-financial information that meets the needs of the various operating and administrative departments. Since 2011, Almarai has used social media to help transmit information and develop communication and experience sharing.

Continuous monitoring

The internal control system's performance is ensured by the Internal Control Department, which reviews, updates and reports regularly on the operation and effectiveness of the established control structure.

In addition, corporate and business finance managers at a corporate level also obtain reasonable assurance through various layers of review and monitoring.

Sustainability

Throughout 2017, we continued to implement industry-leading practices to protect the well-being of our consumers and employees, ensure the health of our farm animals, protect the natural environment and generate significant economic value.

Our sustainability framework

Completed in 2016, the aim of our sustainability framework is to address issues that are relevant to our stakeholders and which are supported through our business decisions. We have identified six key sustainability areas as shown in the diagram on this page. By carefully balancing these as we run our business, and by maintaining a dialog with our stakeholders, we believe we are building a more inclusive, resilient and successful company.



1. Promote responsible consumption

We are committed to helping consumers make better-informed choices regarding the nutritional value of our products, food waste reduction and reuse, as well as ensuring that our marketing practices promote our products responsibly.

2. Ensure ethical and sustainable sourcing

We ensure that our product ingredients and other inputs are sourced to the highest ethical, environmental and social standards. This includes reducing the biodiversity impact of our farming operations and protecting the health and well-being of our farm animals.

Sustainability continued

3. Prioritise quality and safety

Our promise to all stakeholders is to deliver 'Quality you can trust'. We are committed to offering products that are manufactured to the highest food safety standards and which contribute to a nutritious and balanced diet. We ensure we strive to provide a safe working environment for our employees.

4. Reduce natural resource use and waste

We continually work on reducing the environmental footprint of our business. Our aim is to reduce our impact on the environment by lowering our greenhouse gas emissions, energy use, water consumption and waste generation throughout the value chain.

5. Nurture and reward colleagues

We seek long-term relationships with our most valuable asset – our employees. We are committed to attracting, developing and retaining a motivated and diverse workforce in Saudi Arabia and all regions we operate in, and to prioritising the development of local leadership.

6. Generate significant economic value

A healthy bottom line is essential to the success of any business. We continuously aim to improve efficiencies and profitability, innovation and growth, while at the same time contributing to the socio-economic development of local communities.

Materiality

We aim to disclose our performance against our sustainability goals in a dedicated Sustainability Report that will cover 2017 and appear in 2018. We made progress in applying the materiality assessment process to identify issues that reflect Almarai's significant economic, environmental and social impacts, or those that most influence the assessments and views of our stakeholders. This continuous materiality assessment is helping us focus on the sustainability issues that matter most, and identify the critical issues we need to manage. Assessment of materiality will allow us to develop a strategic sustainability programme, with a clear road map and goals. Materiality will be the anchor of our sustainability strategy as we move forward.

Almarai sustainability in action

During 2017, there were more than 150 active sustainability projects and studies underway at Almarai.

1. Promote responsible consumption

We adopt responsible practices when marketing to children, seeking to market and communicate not only the taste of a product or brand, but also the nutritional value, quality and safety.

2. Ensure ethical and sustainable sourcing

We are conducting initial research into what the appropriate parameters should be for Almarai's sustainable procurement policy. We are currently focusing on supplier screening and approval for sustainability compliance, code of conduct, prohibition of child labor and forced labor, and human rights and working conditions. We are also evaluating elimination of negative environmental impacts, assessment of non-renewable materials, and sustainable land use and farming.

3. Prioritise quality and safety

As part of our commitment to food safety and quality, our robust corrective action programme incorporates root-cause analysis. We incorporate Six-Sigma principles to ensure that any corrective action we take in manufacturing addresses the underlying problem and therefore minimises the risk of recurrence. A project is evaluating our capability in cold chain management and, thus, tracking storage temperatures in manufacturing and distribution.

Employee safety is also extremely important to us and we have commenced a programme to reduce vehicle-related accidents by 20% so that we protect the safety of our people and the communities we serve. We are also looking to upgrade our clinics at some of our factory accommodation sites so that we can provide an even higher level of care and medical services to all Almarai staff living at these locations.

4. Reduce natural resource use and waste

We continue to be successful in reducing our impact on the environment through energy and fuel management. A key achievement is that we are on track to secure 100% of our alfalfa needs from outside Saudi Arabia from 2019 onwards in a move that will help reduce Saudi Arabia's water consumption.

We have initiated solar energy projects capable of producing 17.0 MW of power for our manufacturing and distribution sites. Another project seeks to remove the equivalent of 25.0 million kilowatt-hours from our electricity consumption annually through a Company-wide LED* programme. In an initial Almarai site test, we have already reduced consumption of energy for lighting by over 52%. We are also expecting to cut energy input by some 10% at Central Production Plant (CPP3) in Al Kharj. This is our new and technologically advanced dairy manufacturing facility which incorporates innovative processing techniques.

A waste-water project in an Almarai distribution centre has achieved a 50% reduction in sanitary water tanker deliveries and a 30% reduction in sewage tanker dispatches.

We have secured many benefits from re-designing plastic bottles. In one such re-design allowing bottles to be made with less plastic, we cut the amount of plastic used in manufacturing by 174.0 tons. A revised shape for our family-serve juice bottle allowed us to add 50% more bottles to crates, which resulted in 3,900 fewer truck movements.

Another way we decrease the environmental footprint of our business is through a reduction in food waste or food-related waste. We are looking at ways of ensuring products are not returned, and also identifying how we can create value from waste by recycling packaging, or via water recovery, conversion of fats to biofuels, or protein recovery for animal feed. Also, we have set a target for reducing waste on our bread lines by 10%.

5. Nurture and reward colleagues

Our initiatives in support of our employees include a broad range of opportunities for leadership and professional development such as the Almarai Future Leaders programme, our Graduate Professional Trainee scheme for new graduates and the Dairy and Food Polytechnic. The Almarai Leadership Competency Framework is helping to foster a performance culture by providing a consistent approach to attracting, managing, developing and retaining talent. We are also aiming to increase the number of employees using our e-learning solutions by 25%.

Other initiatives outside the training context include our online employee e-Connect accommodation service and a project to create retail outlets selling our food and beverage products to staff and visitors at various Almarai locations.

6. Generate significant economic value

We are supporting our overall profitability through the Almarai Continuous Excellence (ACE) scheme that seeks to deliver efficiency improvements across the Company. Among the many innovations arising from ACE is a new programme that allows our merchandisers to provide real-time information on stock positions in the retail outlets we serve. This lets us replenish goods faster and adjust merchandising in store.

* LED stands for light-emitting diode.

Board of Directors

Strong Corporate Governance underpins our business success

HH Prince Sultan bin Mohammed bin Saud Al Kabeer

Chairman

His Highness is founder of Almarai Company, established in 1977 in the dairy industry. His Highness has investments in Yamama Cement Company, established in 1961, and Arabian Shield Insurance Company. He is a founder of the Saudi Yamani Cement Company (Yemen), Faraby Al Khaleej Petrochemical Co., Mobile Telecommunication Company Saudi Arabia (Zain KSA), Jousour Holding Company (part of Swicorp), Arab Company for Agricultural Services (Arasco), Al Salam Bank (Bahrain),

Arcapita Bank (Bahrain), Dana Gas (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. 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 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.



Mr. Suliman bin Abdulkader Al Muhaideb

Director

Mr. Al Muhaideb is the Chairman of Al Muhaideb Group and a number of companies that include Savola Group, Al Oula Real Estate Development Co and RAFAL Real Estate Co. In addition, Mr. Al Muhaideb sits on the Board of Directors of Saudi British Bank (SABB), Arabian Company for Water & Energy Development (ACWA) Power, National Industrialization Company (TASNEE), Prince Salman Center for Disability Research, Prince Fahad bin Salman Charity Association for Renal Failure Patients Care and The Centennial Fund.

Mr. Abdulrahman bin Abdulaziz Al Muhanna

Director

Mr. Al Muhanna is a Board Member of Arcapita Bank (Bahrain), Arab Company for Agricultural Services (Arasco) and the Al Jazirah Corporation for Press, Printing and Publishing. He is also a member of the National Committee for Biodiversity. He was appointed and served as Almarai Managing Director from 1997 until June 2015. Mr. Al Muhanna is an Agricultural Economics graduate of King Saud University, Saudi Arabia.

Dr. Ibrahim bin Hassan 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., Fitaihi Company and Al Obeikan Investment Group. He holds a PhD in Civil Engineering from the University of Arizona, USA.

HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer

Director

His Highness is Chairman of Mobile Telecommunication Company Saudi Arabia (Zain KSA). He currently sits on the board of multiple companies throughout the Kingdom including; Al Yamama Cement Co., Gulf Farabi Petrochemical Co., Kuwaiti Chinese Holding Co., Tarabot for Investment and Development Co., Zohoor Alreef, and Tejoury. Additionally, His Highness is the General Manager of the Projects and Technical Contracting Co. as well as the Ashbal Al Arab Corporation. His Highness is a Business Administration graduate of King Saud University, Saudi Arabia.

Engr. Mosa bin Omran Al Omran

Director

Engr. Al Omran is a Board Member of Banque Saudi Fransi and is an active member of the Young Managers Association. He 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. Abdulrahman bin Suliman Al Turaigi

Director

Dr. Al Turaigi is Chairman of the Board of Directors of Gulf Industrial Development Co. He has extensive professional experience across a range of activities in both government and private sectors. Dr. Al Turaigi holds a doctoral degree in Engineering Management from the University of Missouri, USA.

Mr. Bader bin Abdullah Al Issa

Director

Mr. Al Issa is the CFO of Assila Investments, a Member of the Board of Directors at the Savola Group, Banque Saudi Fransi, and Dur Hospitality. He holds an MBA from Rice University in the United States and is a Chartered Financial Analyst.

Engr. Rayan bin Mohammed Fayez

Director

Savola Group's Board of Directors appointed Engr. Rayan bin Mohammed Fayez as CEO on 1 March 2016. Prior to assuming the leadership of Savola, Engr. Rayan was previously the Managing Director and Saudi Arabia Senior Country Officer at J.P. Morgan. Prior to that, he held senior positions at Goldman Sachs' Saudi and London offices. Engr. Rayan started his career at J.P. Morgan's Natural Resources Investment Banking team in New York and London. Engr. Rayan sits on the boards of the Saudi Stock Exchange (Tadawul), Herfy Foods Service Co, Knowledge Economic City, Bank Saudi Fransi and Saudi Agricultural and Livestock Investment Company (SALIC). Engr. Rayan graduated from Massachusetts Institute of Technology (MIT) with a B.Sc. in Mechanical Engineering.

Left to right:

Dr. Abdulrahman bin Suliman Al Turaigi, Dr. Ibrahim bin Hassan Al Madhoun, HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer, HH Prince Sultan bin Mohammed bin Saud Al Kabeer, Mr. Suliman bin Abdulkader Al Muhaideb, Mr. Abdulrahman bin Abdulaziz Al Muhanna, Engr. Rayan bin Mohammed Fayez, Engr. Mosa bin Omran Al Omran, Mr. Bader bin Abdullah Al Issa.

Executive Management

Georges P. Schorderet **Chief Executive Officer**

Experience: Georges joined Almarai in 2004 as Chief Financial Officer. In September 2011 Georges became Chief Operating Officer before being ultimately appointed Chief Executive Officer in 2015. Prior to joining Almarai, Georges was an independent consultant in Switzerland for various projects. Throughout his career, he held a number of senior executive positions such as Chief Financial Officer of Swissair Group and Chief Financial Officer of the Aluisse-Lonza Group.

Qualifications: MBA from the International Institute for Management Development, Lausanne (Switzerland); International Senior Management Program (ISMP) from Harvard Business School, Boston (USA); Certified Accountant.

Abdullah Abdulkarim **Assistant to Chief Executive Officer**

Experience: Abdullah joined Almarai in 1985. During his tenure he has executed a number of managerial roles across Almarai and its Subsidiary Companies, including Acquisitions, and Functional Committees. Abdullah has a wealth of administration and Human Resources experience across both public and private sectors in Saudi Arabia and overseas, backed up with extensive advanced management courses, seminars, symposiums, and conferences.

Qualifications: Public Administration at California State University, Sacramento (USA).

Abdullah Al Bader **General Manager Bakery**

Experience: Abdullah joined Almarai in 2000. He is responsible for the general management of the Bakery Business Unit. Prior to this Abdullah held a number of positions in the company across various business sectors including manufacturing, distribution, sales, marketing and corporate. Most recently Abdullah held the post of General Manager Human Resources & Support Services.

Qualifications: Masters in Business from Leicester University (UK).

Andrew Mackie **EVP Farming**

Experience: Andrew joined Almarai in 1977. He is responsible for global commercial farming operations. Prior to this Andrew held a number of positions in the company including having been General Manager of Farming since 1998 and having previously served as Regional Manager of Farming.

Qualifications: Bachelor of Arts West of Scotland Agricultural College (UK).

Faisal Alfahadi **General Manager Corporate Affairs**

Experience: Faisal joined Almarai in 2009. He is responsible for Corporate Affairs & Governmental Industrial relations. Prior to this Faisal held a number of positions in the company including Head of Administration, General Manager Human Resources & Support Services and General Manager of the Juice Business Unit. Prior to joining Almarai, Faisal worked in private sector companies where he held posts in Human Resources and Administration.

Qualifications: Master's degree in Marketing from University of Salford (UK).

Fawaz Aljasser **Chief Human Resources Officer**

Experience: Fawaz joined Almarai in 2005. He is responsible for the general management of Almarai human resources & support services. Prior to this Fawaz held a number of positions in the company including director of the Dairy and Food Polytechnic & General Manager of Teeba-Almarai Joint Venture in Jordan.

Qualifications: Bachelor of Arts in English Literature from Imam Mohammed bin Saud University (KSA), Post Graduate diploma from Leicester University (UK).

Hussam Abdulqader **Chief Marketing Officer**

Experience: Hussam joined Almarai in 2003. He is responsible for the Corporate Marketing function covering Brands, Social Media, Marketing Services, Corporate Communications, Product & Packaging Innovation and Public Relations. Prior to this Hussam held a number of positions in the company including Marketing Services Manager, Marketing Manager, General Manager Marketing & CEO of joint venture partnerships with PepsiCo and Chipita.

Prior to joining Almarai, Hussam worked for Nielsen as Head of Retail Measurement Services for the GCC.

Qualifications: Bachelor of Arts in Business Administration from the Amman Private University (Jordan).

Jack Castelein **EVP Dairy Juice Bakery**

Experience: Jack joined Almarai in April 2015. He is responsible for the Dairy, Juice and Bakery business units including international markets via the joint venture partnership with PepsiCo. Prior to joining Almarai, Jack worked at Royal Friesland Campina for over 23 years having held a number of senior leadership positions.

Qualifications: Bachelor of Arts in Management and Economics from Saxion University of Applied Sciences (Netherlands), Post (Nima-C) University degree in Marketing.

Larus Asgeirsson **General Manager Poultry**

Experience: Larus Joined Almarai in 2013. He is responsible for the general management of the Poultry Business Unit. Prior to joining Almarai, Larus held several senior posts including CEO of Icelandic Group, Sjova Insurance Company and Marel Food Systems a supplier to poultry, meat and seafood processing industries.

Qualifications: Master's Degree in Mechanical Engineering from Oklahoma State University (USA).

Majed Nofal **General Manager New Business**

Experience: Majed joined Almarai in 2010. He is responsible for the general management of New Business Division, focusing on opportunities in food production and distribution in the region. Prior to this Majed held a number of positions within Almarai group including Head of Central Procurement, CEO and CFO of Western Bakeries Co. Prior to joining Almarai, Majed held posts within Audit and Assurance services at Ernst & Young.

Qualifications: Bachelor of Arts in Business Administration from King Saud University (KSA).

Malcolm Jordan**EVP Infant Nutrition and Poultry**

Experience: Malcolm joined Almarai in 1992. He is responsible for the Poultry and Infant Nutrition Business Units. Prior to this Malcolm held a number of positions in the company including CEO IPNC, GM Marketing and GM Quality and Product Development ("QPD"). Prior to joining Almarai he worked for Christian Hansen and St. Ivel in the UK.

Qualifications: Degree in Food Science and Technology from the West of Scotland Agricultural College (UK).

Niall Mackay**EVP Sales, Distribution and Logistics**

Experience: Niall joined Almarai in 2014. He is responsible for Almarai distribution supply chain & logistics together with product merchandising. Prior to joining Almarai, Niall held several senior posts and consultancy assignments at Pedigree Pet foods (Mars Inc.), Coca-Cola Enterprises, British Bakeries (Rank, Hovis McDougal) and the Royal Mail (UK).

Qualifications: Masters of Chemical Engineering degree from Imperial College (UK), MBA from Henley Management College (UK).

Omar Salim**General Manager Dairy**

Experience: Omar joined Almarai in 2014. He is responsible for general management of Dairy and Food Business Units. Prior to joining Almarai, Omar worked for Mars as Director of Marketing covering the Africa, India and Middle East regions.

Qualifications: Master's Degree in Industrial Engineering from the Oklahoma State University (USA).

Paul-Louis Gay**Chief Financial Officer**

Experience: Paul-Louis joined Almarai in 2011 as Chief Financial Officer. He is responsible for Almarai group-wide Corporate Financial Services Division. Prior to joining Almarai, Paul-Louis held a number of senior finance posts at Firmenich, Givaudan, Roche Group, Computerland Europe, ICL, National Semiconductor and IBM across China, Japan, USA and Europe.

Qualifications: Executive MBA from ESCP Europe, French Public Accountant Certificate (Tax specialization), Diploma in Corporate Finance INSEAD, and Diploma in Company Direction (United Kingdom).

Richard Salisbury**General Manager Quality, Regulatory, Health, Safety, Security (HSS) and Sustainability**

Experience: Richard joined Almarai in 1994. He is responsible for the quality, regulatory affairs, HSS and sustainability functions. Prior to joining Almarai, Richard worked at Britvic Soft Drinks and St Ivel for over 20 years, where he held various positions in Product Development, Packaging Development and Project Management.

Qualifications: Food Science and Technology degree from Seale-Hayne Agricultural College (UK).

Sjur Fitje**General Manager Manufacturing**

Experience: Sjur joined Almarai in 2015. He is responsible for general management of 6 manufacturing sites across the KSA and contract manufacturing in the UAE. Production encompasses Dairy, Cheese, Juice and Bakery product ranges. Prior to joining Almarai, Sjur held several senior posts including VP of Corporate Supply Chain Development at Arla Foods Group and SVP Supply Chain at Arla Foods Consumer Nordic.

Qualifications: Masters of Science in Dairy Technology from the Norwegian University of Life Sciences combined with a Master's of Management Program in Logistics from Norwegian Business School (Norway).

Thamer Almuhid**General Manager Foods**

Experience: Thamer joined Almarai in 2016. He is responsible for the general management of Food Business Unit. Prior to joining Almarai, Thamer was General Manager of Industrial Planning at the Ministry of Commerce and Industry. Thamer has additionally held several senior positions within SABIC from 1995 to 2015.

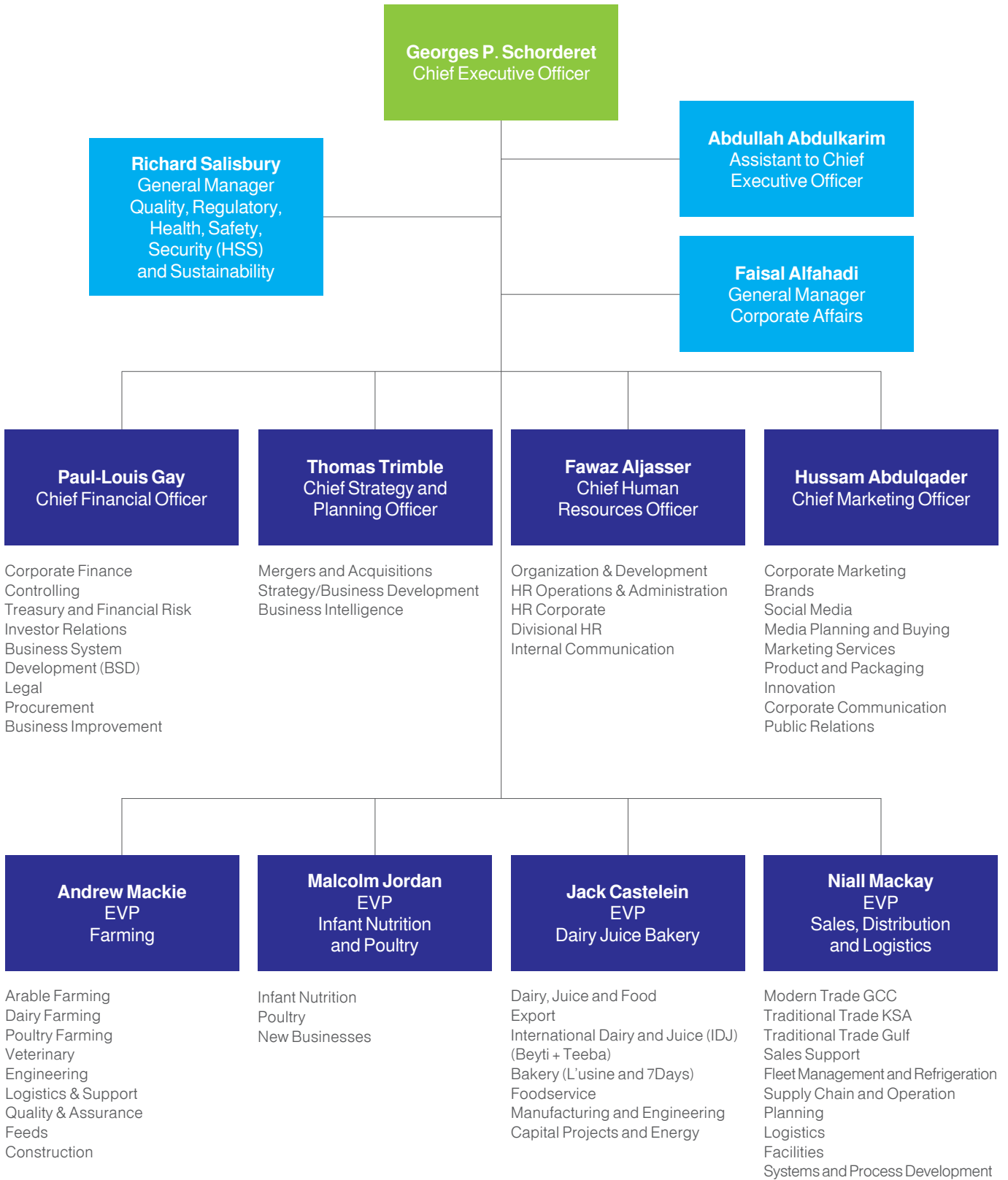
Qualifications: Bachelors of Science Civil Engineering from King Saud University (KSA), Masters in Business from Vienna, Thunderbird School of Management (USA).

Thomas Trimble**Chief Strategy and Planning Officer**

Experience: Thomas joined Almarai in 2006. He is responsible for the identification of new business opportunities across existing or potential streams & geographies. Prior to joining Almarai, Thomas worked with Nestle in various senior positions across Europe out of Nestle head office in Switzerland encompassing financial services, business development, marketing and general management.

Qualifications: ACMA (Chartered Management Account); FCIS (Chartered Company Secretary); Business Studies Degree.

Almarai organization chart



Tadawul announcements

Almarai had a busy year, with a number of events and strategic activities announced to Shareholders. The most important events, activities and strategic decisions were announced on the official website of the Saudi Stock Exchange (Tadawul), Almarai's corporate website and on Almarai's Investor Relations application. In total, 21 announcements were made to shareholders. The following table summarises the announcements by date, type and subject:

No.	Date	Announcement type	Title of announcement
1	11 December 2017	Notice to shareholders	The Board of Almarai proposes to pay a cash dividend for the financial year 2017
2	23 November 2017	Notice to shareholders	Almarai Company announces the opening and commercial operation of its new Central Production Plant (CPP3) manufacturing facilities in Al Kharj
3	9 November 2017	Notice to shareholders	Almarai Company announces deposit amounts returned from the sale of fractional shares resulting from the capital increase in the eligible shareholders accounts
4	22 October 2017	Financial Results	Almarai Company announces its Condensed Consolidated Interim Financial Results for the period ended on 30 September 2017 (Nine Months)
5	15 October 2017	Notice to shareholders	Almarai Company announces the latest development regarding the change in ownership of the Company's Capital
6	9 October 2017	Results of AGM	Almarai Company announces the results of the Extraordinary General Assembly Meeting to increase the share capital (First Meeting)
7	1 October 2017	Invitation to AGM	Almarai Company invites its shareholders to the Extraordinary General Assembly Meeting to increase the share capital (First Meeting) (Reminder)
8	28 September 2017	Invitation to AGM	Almarai Company Announces to its Shareholders the Starting Date of Electronic Voting on the Items of the Extraordinary General Assembly Meeting to increase the share capital (First Meeting)
9	14 September 2017	Invitation to AGM	Almarai Company invites its shareholders to the Extraordinary General Assembly Meeting to increase the share capital (First Meeting)
10	23 July 2017	Financial Results	Almarai Company announces its Condensed Consolidated Interim Financial Results for the period ended on 30 June 2017 (Six Months)
11	8 June 2017	Notice to shareholders	Almarai Company announces the approval by its Board of Directors of its five year business plan for the period 2018 – 2022
12	8 June 2017	Notice to shareholders	The Board of Almarai Company proposes the issuance of bonus shares for the financial year 2017
13	23 April 2017	Financial Results	Almarai Company announces its Interim Consolidated Financial Results for the period ended on 31 March 2017 (Three Months)
14	27 March 2017	Notice to shareholders	Almarai Company announces the appointment of Vice-Chairman for the current term
15	27 March 2017	Results of AGM	Almarai Company announces the results of Extraordinary General Assembly Meeting
16	19 March 2017	Invitation to AGM	Almarai Company invites its shareholders to the Extraordinary General Assembly Meeting. (First Meeting) (Reminder)
17	15 March 2017	Invitation to AGM	Almarai Company Announces to its Shareholders the Starting Date of Electronic Voting on the Items of the Extraordinary General Assembly Meeting (First Meeting)
18	1 March 2017	Invitation to AGM	Almarai Company invites its shareholders to the Extraordinary General Assembly Meeting. (First Meeting)
19	31 January 2017	Notice to shareholders	Almarai Company International Financial Reporting Standards (IFRS) transition Plan – Phase 3 Announcement
20	15 January 2017	Financial Results	Almarai Company announces its Annual Consolidated Financial Results for the year ended on 31 December 2016 (Twelve Months)
21	10 January 2017	Notice to shareholders	Almarai Company Announces Progress in Securing 100% of its Alfalfa Requirements

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 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 subsidiary companies' names, business activity, functional currency, ownership interest, share capital and number of shares issued. There are no shares or debt instruments issued to any of these entities.

Name of subsidiary	Business activity	Functional currency	Ownership interest				Share capital	Number of shares issued
			2017		2016			
			Direct (a)	Effective	Direct (a)	Effective		
Almarai Investment Company Limited	Holding Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai Baby Food Company Limited	Manufacturing Company	SAR	100%	100%	100%	100%	SAR 200,000,000	20,000,000
Almarai Agricultural and Livestock Production Company	Livestock/Agricultural Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai Construction Company	Construction Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai for Maintenance and Operation Company	Maintenance and Operation	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000
Agricultural Input Company Limited (Mudkhalat)	Agricultural Company	SAR	52%	52%	52%	52%	SAR 25,000,000	250
Hail Agricultural Development Company	Poultry/Agricultural Company	SAR	100%	100%	100%	100%	SAR 300,000,000	30,000,000
Hail Agricultural And Livestock Production Company	Poultry/Agricultural Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000
International Baking Services Company Limited	Dormant	SAR	100%	100%	100%	100%	SAR 500,000	500
International Pediatric Nutrition Company	Dormant	SAR	100%	100%	100%	100%	SAR 41,000,000	410,000
Modern Food Industries Company Limited	Bakery Company	SAR	60%	60%	60%	60%	SAR 70,000,000	70,000
Nourlac Company Limited	Trading Company	SAR	100%	100%	100%	100%	SAR 3,000,000	3,000
Western Bakeries Company Limited	Bakery Company	SAR	100%	100%	100%	100%	SAR 200,000,000	200,000
Agro Terra S.A.	Dormant	ARS	100%	100%	100%	100%	ARS 475,875	475,875
Fondomonte South America S.A.	Agricultural Company	ARS	100%	100%	100%	100%	ARS 1,286,096,598	1,286,096,598
Almarai Company Bahrain S.P.C.	Trading Company	BHD	100%	100%	100%	100%	BHD 100,000	2,000
Almarai Investment Holding Company W.L.L.	Holding Company	BHD	99%	99%	99%	99%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Holding Company	BHD	100%	52%	100%	52%	BHD 250,000	2,500
International Dairy and Juice Limited	Holding Company	USD	52%	52%	52%	52%	USD 7,583,334	7,583,334
International Dairy and Juice (Egypt) Limited	Holding Company	EGP	100%	52%	100%	52%	EGP 1,101,750,000	110,175,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Manufacturing and Trading Company	EGP	100%	52%	100%	52%	EGP 1,717,250,000	171,725,000

Name of subsidiary	Business activity	Functional currency	Ownership interest				Share capital	Number of shares issued
			2017		2016			
			Direct (a)	Effective	Direct (a)	Effective		
Markley Holdings Limited	Dormant	GBP	100%	100%	100%	100%	-	-
Al Muthedoon for Dairy Production	Dormant	JOD	100%	52%	100%	52%	JOD 500,000	500,000
Al Atheer Agricultural Company	Livestock/Agricultural Company	JOD	100%	52%	100%	52%	JOD 750,000	750,000
Al Namouthjya for Plastic Production	Dormant	JOD	100%	52%	100%	52%	JOD 250,000	250,000
Al Rawabi for juice and UHT milk Manufacturing	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 500,000	500,000
Teeba Investment for Developed Food Processing	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 49,675,352	49,675,352
Arabian Planets for Trading and Marketing L.L.C.	Trading Company	OMR	90%	90%	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Dormant	OMR	100%	100%	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Holding Company	EUR	100%	100%	100%	100%	EUR 118,515,547	118,515,547
Hail Development Company Limited	Agricultural Company	SDG	100%	100%	100%	100%	SDG 100,000	100,000
Almarai Emirates Company L.L.C.	Trading Company	AED	100%	100%	100%	100%	AED 300,000 (Unpaid)	300,000
International Dairy and Juice (Dubai) Limited	Holding Company	USD	100%	52%	100%	52%	USD 22,042,183	22,042,183
Fondomonte Holding North America L.L.C.	Holding Company	USD	100%	100%	100%	100%	USD 500,000	500,000
Fondomonte Arizona L.L.C.	Agricultural Company	USD	100%	100%	100%	100%	USD 500,000	500,000
Fondomonte California L.L.C.	Agricultural Company	USD	100%	100%	100%	100%	-	-
Hayday Farm Operation L.L.C.	Agricultural Company	USD	100%	100%	Nil	Nil	-	-

Share price and Shareholder information

Almarai shareholdings*

As of 31 December 2017 Almarai had 50,428 shareholders. Corporate investors represent 65.2% of the total share ownership, while individual investors represent 34.8%. There are 37 shareholders owning one million or more shares in Almarai, representing 90.1% of the issued shares. The following tables provide an overview of Almarai's investors:

Almarai investors according to nature of investor

Investor type	Number of investors	Number of shares	Percentage of ownership
Corporate	300	651,690,665	65.2%
Individual	50,128	348,309,335	34.8%
Total	50,428	1,000,000,000	100%

Almarai investors according to nationality

Nationality	Number of investors	Number of shares	Percentage of ownership
Saudi	49,946	973,077,981	97.3%
Other nationalities	482	26,922,019	2.7%
Total	50,428	1,000,000,000	100%

Almarai investors according to investor type

Investor	Number of investors	Percentage of ownership
SAVOLA Group Company	1	34.5%
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	1	23.7%
Governmental and quasi-governmental institutions	13	23.5%
Other Individuals	50,127	10.6%
Companies	123	3.0%
Mutual Funds	107	2.7%
Swap agreements	45	1.2%
Banks and financial institutions	11	0.3%
Total	50,428	100%

Almarai investors according to size of ownership

Number of shares	Number of investors	Percentage of ownership
Million shares and more	37	90.1%
From 500 thousand to less than a million	19	1.3%
From 100 thousand to less than 500 thousand	126	2.6%
From 50 thousand to less than 100 thousand	129	0.9%
From 10 thousand to less than 50 thousand	849	1.7%
From 5 thousand to less than 10 thousand	835	0.6%
From 1 thousand to less than 5 thousand	9,185	1.6%
Less than one thousand shares	39,248	1.3%
Total	50,428	100%

* Almarai downloaded shareholders reports from Tadawul a total of 12 times during FY 2017 for internal compliance purposes.

Ownership notification

According to Article (45) of the Listing Rules issued by the Capital Market Authority, during 2017 Almarai received notifications of new ownership percentage of more than 5.0% of the shares issued to the Company. The changes in the number of shares owned by Shareholders owning 5.0% or more occurred in part from Almarai's capital increase, following approval at the Extraordinary General Assembly meeting held on 8 October 2017. The following table outlines ownership of 5.0% or more of the issued shares:

Ownership of 5.0% or 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	292,174,589	36.5%	345,218,236	34.5%
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	189,565,229	23.7%	236,956,536	23.7%
Public Investment Fund	0	0.0%	163,233,480	16.3%
Total	425,530,952	60.2%	745,408,252	74.5%

Share data performance (SAR)

Share price
31 December 2017

53.75

1 Year ago

54.79

3 Years ago

46.03

52 week high
(2 July 2017)

78.60

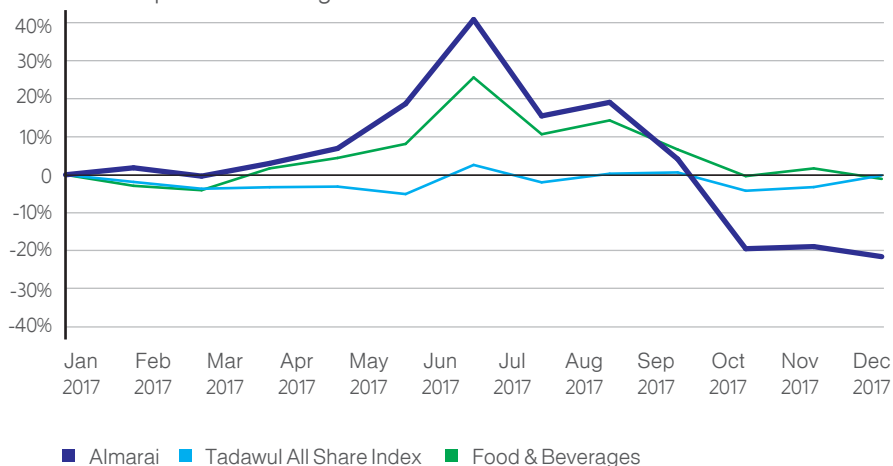
52 week low
(22 November 2017)

51.80

% change from 2016–2017

-1.9%

Almarai share performance against the Tadawul All Shares Index:



Main transactions, investments and other events

Share capital increase to SAR 10.0 billion

The Extraordinary General Assembly meeting on 8 October 2017 approved a share capital increase from SAR 8.0 billion to SAR 10.0 billion. The aim of the increase is to adjust Almarai's share capital to its Assets. The programme aims to meet our capacity expansion needs across the Company (farming, manufacturing, distribution and logistics) and address investments required in product refinement and innovation. We will therefore be in a stronger financial position to achieve our aim of continuous growth and geographic expansion across core business segments. The share capital increase will also support improvements in operational efficiency, better utilization of available resources and help create employment.

Almarai 2025

During 2017 we conducted Almarai 2025, a full strategic review that goes beyond the five year business plan. Almarai 2025 is a much broader vision for the future that identifies specific, quantifiable and measurable goals, and sets out where we should play as well as how we should win. We have defined a new business-oriented operating model, with clear reporting lines as well as defined responsibilities and accountabilities. The Board is confident that Almarai 2025 will deliver our vision against a challenging regional economic background. We have already acted on Almarai 2025 with the 1 October 2017 restructuring that realigns Almarai around specific businesses rather than functions. We are also working with the Government to identify how Almarai will contribute to the success of Saudi Arabia's Vision 2030 and the National Transformation Program 2020 that supports it.

Finally, Almarai 2025 has also helped us determine how we will achieve our business ambitions. A key discipline will be a lean cost base and ensuring we have the innovation and marketing resources to identify new consumer trends.

Approval of the five year plan for 2018-2022

The Board of Directors approved the updated five year plan, which focuses on the continued development of Almarai's businesses across geographies, categories and channels, while controlling operating costs and optimizing usage of available funds. Estimated capital investment for the period 2018-2022 is SAR 12.5 billion, a reduction from last year's plan. Investments will focus on replacement of existing assets, improved production capacity and capabilities in farming and manufacturing, distribution and transportation facilities, expansion of geographic footprint and enhanced product development and innovation. The investment programme will be financed by Operating Cash Flow and will take advantage of financing available from banks, the Saudi Industrial Development Fund (SIDF), the Agricultural Development Fund (ADF) and sukuk programmes.

The inauguration of the Central Production Plant (CPP3)

Almarai commissioned a new plant known as Central Production Plant (CPP3) in Al Kharj on 23 November 2017. This new manufacturing facility will include seven production lines for fresh dairy products such as laban, milk and zabadi. Within the facility, Almarai will increase its production and manufacturing abilities for high quality fresh dairy products, and support in the Company's efforts to expand in regional and greater MENA markets. The total investment will reach SAR 1.2 billion and has been funded through the Operating Cash Flow of the Company complemented by a loan from the Saudi Industrial Development Fund (SIDF).

Capital Expenditure (CAPEX)

CAPEX incurred in 2017 was SAR 2.8 billion, in line with our five year Capital Expenditure guidance. Investment was distributed as follows:

- Manufacturing, Farming and Replacement CAPEX of SAR ~1.7 billion
- Sales depots, Poultry and Logistics expansion accounted for SAR ~0.6 billion
- Replacement and other CAPEX including International Dairy and Juice (IDJ) accounted for another SAR ~0.5 billion.

The reduction in the CAPEX marks the last few years of a 10 year investment cycle for the Company. Financial year 2017 was the first time Almarai recorded over SAR 1.0 billion in free cash flows.

Share based payment transactions

Employees of the Group receive remuneration in the form of equity settled share based payments under the employee stock option program (ESOP), whereby they attain an option to purchase shares of the Company ("Option"). In order to exercise their Option, the employees pay a predetermined exercise price, render services as consideration and comply with the vesting conditions.

The cost of the ESOP, representing the Fair Value of Options at grant date, is recognized as an expense in the Consolidated Statement of Income, together with a corresponding increase in Other Reserves, in Equity, over the period during which the service conditions are fulfilled.

Management has set up an economic hedge by purchasing Treasury Shares at inception of the ESOP. Accordingly, the Other Reserve (representing the cumulative expense arising from the ESOP) is transferred into Retained Earnings upon expiry of the ESOP, whether or not the Options are vested by employees.

The cumulative expense thus recognized at each reporting date, until the ESOP expiry date, reflects the extent to which the ESOP's term has expired and the Group's best estimate of the number of options that will ultimately be vested.

When the terms of the ESOP are modified, the minimum expense recognized is equal to the Fair Value of Options at grant date. However, an additional expense is recognized for any modification that increases the total Fair Value of the Option, or is otherwise beneficial to the employee as measured at the date of the modification.

When the ESOP is terminated, it is treated as if Options vested on the date of termination, and all remaining expense, is recognized immediately. However, if a new ESOP is substituted for the terminated ESOP, and designated as a replacement ESOP on the date the new ESOP is granted, the terminated and new ESOPs are treated as if they were a modification of the original ESOP, as described in the previous paragraph.

Important events in 2018

Date	Announcement subject
9 April 2018	The Extraordinary General Assembly meeting will be held to approve amendments to Almarai's bylaws, the Board of Directors' report and the Financial Statements for 2017, as well as other subjects
15 April 2018	Maturity and distribution of profits to shareholders for the financial year 2017
8-15 April 2018*	Announcement of the Interim Consolidated Financial Results for Q1 2018
8-15 July 2018*	Announcement of the Interim Consolidated Financial Results for Q2 2018
7-14 October 2018*	Announcement of the Interim Consolidated Financial Results for Q3 2018

* Announcement dates for Financial Results are preliminary and subject to change.

Preparation of the Financial Statements

The Condensed Consolidated Interim Financial Statements are issued with a review report and the Annual Consolidated Financial Statements are issued with an audit report by Independent Auditors. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA). Up to and including the year ended 31 December 2016, the Group prepared and presented its statutory Consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's Bylaws so far as they relate to the preparation and presentation of the Financial Statements.

The Board of Directors of the Saudi Certified Accountants Association, in their seventh meeting of the seventh term, held on 18 July 2013, approved the implementation of the International Financial Reporting Standards (IFRS) after being certified by SOCPA, such that the nearest date for IFRS implementation by entities listed on the Saudi Stock Exchange is 1 January 2017. As part of this requirement, for the financial periods commencing 1 January 2017, the Group has prepared Condensed Consolidated Interim Financial Statements for the periods ended 31 March 2017, 30 June 2017 and 30 September 2017 and Annual Consolidated Financial Statements for the year ended 31 December 2017 in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

KPMG Al Fozan & Partners has continued in its role as Almarai's independent auditor after the Audit Committee made its recommendation to the Board of Directors as the preferred candidate to audit the Company's accounts for the fiscal year 2017. This includes all Condensed Consolidated Interim Financial Statements and Annual Consolidated Financial Statements of Almarai Company. The Board of Directors requested the approval of the nomination of KPMG Al Fozan & Partners and its fees during the General Assembly meeting in March 2017, at which time the appointment was approved.

After auditing the Consolidated Financial Statements for the year ended 2017, KPMG Al Fozan & Partners issued an unqualified Independent Auditors' Report expressing their opinion that the Consolidated Financial Statements as a whole present a fair view in all material aspects and comply with the regulatory requirements for companies.

Dividend policy

As per Article 48 of Almarai's bylaws, after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10.0% of the annual net profits shall be allocated to form the Company's statutory reserve. Such allocation may be discontinued by the Ordinary General Assembly when this reserve totals 30.0% of the Company's paid up capital.
- The Ordinary General Assembly may, upon the recommendation of the Board of Directors, allocate a specific percentage of the net profits to create a voluntary reserve to be allocated to the determined objective or objectives allocated for specific purposes.
- The Ordinary General Assembly upon determining the dividend, may resolve to form other reserves, to the extent that the same is in the interests of the Company or will ensure the distribution of fixed profits so far as possible among the shareholders. The said Assembly may likewise deduct from the net profits amounts to establish social organizations for the Company's workers or to assist any such organizations already in existence.
- Out of the balance of the net profits a payment of not less than 5.0% of the paid up capital shall be distributed to shareholders.
- Subject to the provisions laid down in Article 21 of these bylaws, and Article 76 of the Companies' Law, a percentage not more than 5.0% of the remaining balance, if any, shall be allocated as remuneration to Members of the Board of Directors, provided that the entitlement to such remuneration shall be proportionate to the number of sessions attended by a member.

The Company, after complying with the regulations laid down by the competent authorities, may distribute semi-annual and quarterly dividends. As per Article 48 of Almarai's bylaws, profits distributed to shareholders are paid at the location and time determined by the Board of Directors in compliance with CMA regulations.

Almarai has achieved a 35.9% payout ratio for the five year period from 2013 to 2017. 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 for the value and percentage of dividends each year. Cash dividends are approved or recommended according to factors 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 emergency events. The 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 a medium-term target distribution rate of dividend ratio.

Almarai has distributed to its shareholders approximately SAR 15,309.0 million since it was listed on the Saudi Stock Exchange, in the form of cash dividends and bonus shares. Cash dividends amounted to approximately SAR 6,209.0 million, representing 40.5% of total dividends and bonus shares, while bonus shares from a capital increase reached SAR 9,100.0 million, representing 59.5% of total dividends and bonus shares. This excludes the capital increase resulting from the acquisition of Western Bakeries and International Bakeries Services 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.

Dividend policy continued

The following tables outline Almarai's dividend and bonus share distributions.

Dividends paid compared to net income

Year	Net income (SAR million)	Dividend (SAR million)	Percentage	Capital (million shares)	Amount per share (SAR)
2005	386.1	–	–	75.0	–
2006	464.7	200.0	43.0%	100.0	2.00
2007	667.3	272.5	40.8%	109.0	2.50
2008	910.3	381.5	41.9%	109.0	3.50
2009	1,096.7	460.0	41.9%	115.0	4.00
2010	1,285.4	517.5	40.3%	230.0	2.25
2011	1,139.5	517.5	45.4%	230.0	2.25
2012	1,440.6	500.0	34.7%	400.0	1.25
2013	1,502.2	600.0	39.9%	600.0	1.00
2014	1,674.3	600.0	35.8%	600.0	1.00
2015	1,915.7	690.0	36.0%	600.0	1.15
2016	2,080.5	720.0	34.6%	800.0	0.90
2017*	2,182.2	750.0	34.3%	1,000.0	0.75
Total	14,563.3	6,209.0			

* 2017 represents the first year IFRS is implemented. All previous years are SOCPA compliant.

Dividend dates

Year	Announcement date	Due date	Distribution date	Distribution method	Amount per share (SAR)
2006	21 Jan 2007	27 Mar 2007	10 Apr 2007	Account transfer	2.00
2007	21 Jan 2008	24 Mar 2008	7 Apr 2008	Account transfer	2.50
2008	19 Jan 2009	23 Mar 2009	7 Apr 2009	Account transfer	3.50
2009	20 Jan 2010	11 Apr 2010	26 Apr 2010	Account transfer	4.00
2010	6 Dec 2010	3 Apr 2011	11 Apr 2011	Account transfer	2.25
2011	7 Dec 2011	2 Apr 2012	11 Apr 2012	Account transfer	2.25
2012	19 Jan 2013	2 Apr 2013	10 Apr 2013	Account transfer	1.25
2013	29 Dec 2013	2 Apr 2014	9 Apr 2014	Account transfer	1.00
2014	28 Dec 2014	5 Apr 2015	12 Apr 2015	Account transfer	1.00
2015	14 Dec 2015	3 Apr 2016	12 Apr 2016	Account transfer	1.15
2016	6 Dec 2016	26 Mar 2017	4 Apr 2017	Account transfer	0.90
2017	11 Dec 2017	9 Apr 2018	15 Apr 2018	Account transfer	0.75

Distribution in the form of granting bonus shares

Year	Share capital (SAR million)	Nominal value of bonus (SAR million)	Share capital after bonus (SAR million)	Percentage	Notes
2005	750.0	250.0	1,000.0	33.3%	One bonus share for every 3 outstanding shares
2010	1,150.0	1,150.0	2,300.0	100.0%	One bonus share for every 1 outstanding share
2012	2,300.0	1,700.0	4,000.0	73.9%	One bonus share for every 1.353 outstanding shares
2013	4,000.0	2,000.0	6,000.0	50.0%	One bonus share for every 2 outstanding shares
2016	6,000.0	2,000.0	8,000.0	33.3%	One bonus share for every 3 outstanding shares
2017	8,000.0	2,000.0	10,000.0	25.0%	One bonus share for every 4 outstanding shares
Total		9,100.0			

Dates of bonus shares and other capital changes

Year	Announcement date	Issue type	Due date	Previous capital (SAR million)	New capital (SAR million)
2005	18 Oct 2005	Bonus shares	25 Dec 2005	750.0	1,000.0
2007	19 Feb 2007	Acquisition (WB and IBS)	27 Mar 2007	1,000.0	1,090.0
2009	9 May 2009	Acquisition (HADCO)	7 Oct 2009	1,090.0	1,150.0
2010	5 Oct 2010	Bonus shares	5 Dec 2010	1,150.0	2,300.0
2012	7 Dec 2011	Bonus shares	2 Apr 2012	2,300.0	4,000.0
2013	29 May 2013	Bonus shares	9 Sep 2013	4,000.0	6,000.0
2016	14 Dec 2015	Bonus shares	3 Apr 2016	6,000.0	8,000.0
2017	8 Jun 2017	Bonus shares	8 Oct 2017	8,000.0	10,000.0

With regard to cash dividends for 2017 the Board of Directors proposes to the General Assembly a dividend of SAR 750.0 million, representing 34.3% of the Consolidated Net Profits achieved during the year, at SAR 0.75 per share. To be eligible for the cash dividend payment, shareholders records must be registered at the Depository Centre at the end of trading on the day of the General Assembly. The following regulation regarding the payment of the dividend should be noted: for foreign non-resident investors the dividend paid by the Company is subject to a withholding tax of 5.0% upon transfer to the non-resident investor, or credited to the account according to the provisions of Article (68) of the Income Tax Law and Article (63) of the Implementing Regulations.

Statutory payments, penalties and sanctions

Statutory payments

Almarai is committed to paying certain fees and expenses to Saudi Government departments as per applicable terms and regulations. These inherent expenses are charged to the results of the Company's operations. The following table details statutory charges incurred in 2017, with a brief description and related reason.

Statutory Charges in Saudi Arabia in 2017 (SAR M)

Statutory Organisation	2017	2016	Description	Reason
Saudi Customs	107.4	138.6	Amounts paid or charged as customs fees on imports and exports.	Government requirement
General Authority of Zakat and Income Tax	65.7	67.6	Amounts charged as zakat expenses according to the provisions and rules of zakat	Government requirement
General Organisation for Social Insurance	134.5	109.1	Amounts paid or charged as social insurance expenses, in accordance with Saudi Labour Law	Government requirement
Other Statutory Organisations	87.3	98.2	Amounts paid or charged according to various other laws	Other Government requirements
Total	394.9	413.5		

Penalties and sanctions

Almarai was not charged any penalties or sanctions during 2017 by any supervisory, regulatory or judicial unit.

Corporate Governance Rules

The purpose of these Rules is to set out Almarai's approach to corporate governance. Almarai is committed to maintaining high standards of corporate governance and considers good corporate governance as an essential tool for maximizing long-term shareholder value, and is consistent with its commitment to quality in all of its processes and products. The Company's Corporate Governance rules 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 Company, such as the Board of Directors, 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's objectives are set and the means of attaining those objectives and monitoring performance. The Board of Directors is responsible for Almarai's CMA Corporate Governance Rules.

The shareholders' role in governance is to appoint the Directors, Audit Committee and independent 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 accountability to the shareholders in the General Assembly meeting. Almarai's Corporate Governance Rules have been prepared according to international principles of corporate governance and local regulatory requirements, particularly the Corporate Governance Regulations. It should be viewed as setting the framework of requirements for corporate governance within the Company. It should not be seen as a substitute for sound judgment and honorable arms-length dealings by Directors and officers of the Company and should be viewed within the context of the broader legislative framework of Saudi Arabia. In particular, the stipulations of the following, the requirements of which have not all been incorporated in these Rules, need to be borne in mind when considering corporate governance issues:

- The requirements of the Capital Market Authority (CMA) and of Tadawul.
- The Companies Law of Saudi Arabia and associated ministerial directives of the Ministry of Commerce & Investment (MCI).
- Almarai's own bylaws.

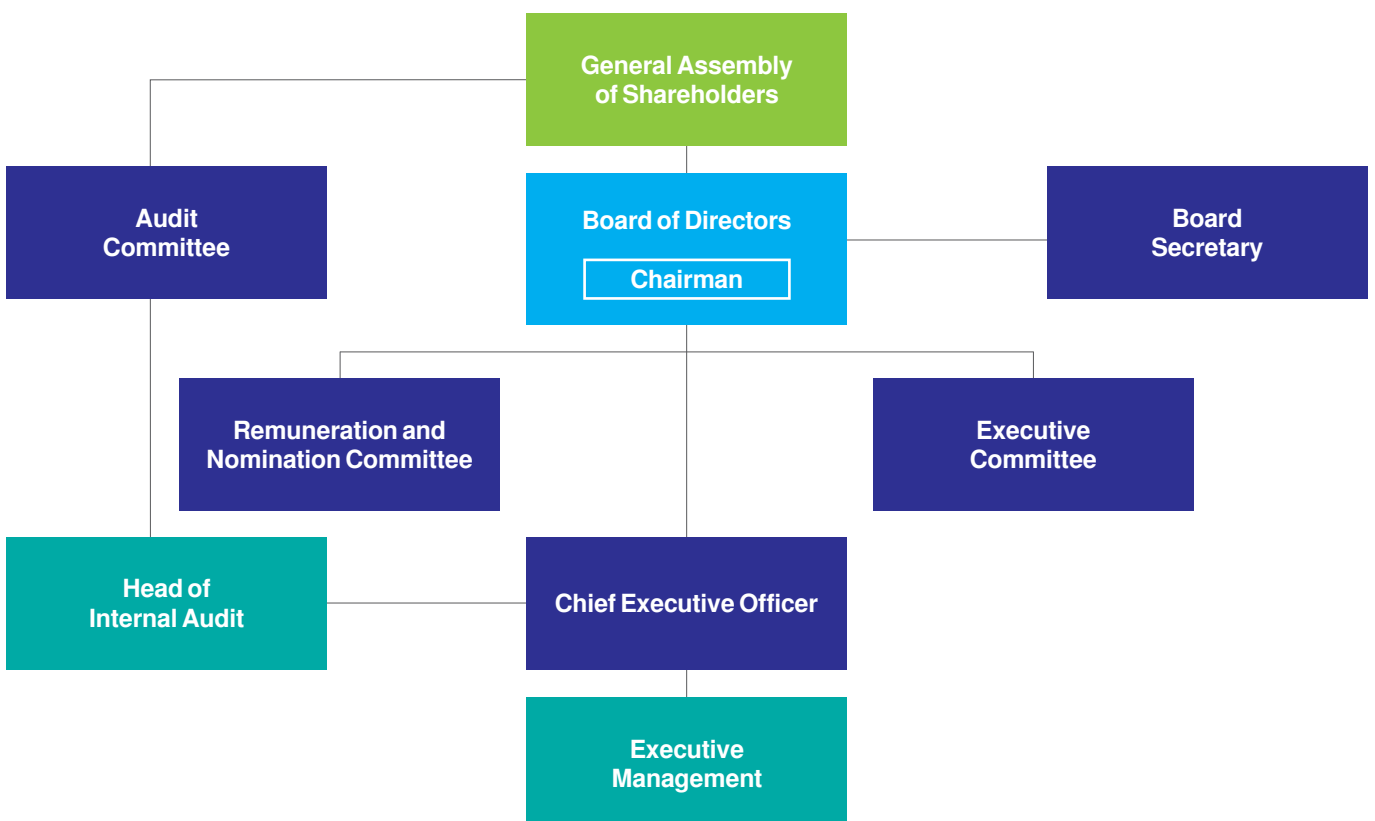
The Board establishes governance rules for the Company in accordance with the provisions of these Regulations, and monitors their implementation, verifies their effectiveness, and amends them as necessary.

Rights of Shareholders and the General Assembly

Almarai’s Articles of Association and Corporate Governance Rules ensure that Shareholders enjoy all rights related to shares; in particular the right of receiving a share of approved dividend payments, the right to receive a share of the Company’s assets upon liquidation, the right to attend General Assembly meetings and participate in their deliberations and voting, the right of share 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 that does not compromise the interests of the Company and does not conflict with the Terms and Executive Regulations of the Capital Market Authority. Almarai allows maximum participation by shareholders at General Assembly meetings and is keen to ensure that the choice of time and venue enables full participation. The Company has adopted an electronic voting system to make it easier for shareholders to exercise their right of voting if they are unable to attend in person.

Almarai’s Articles of Association and Corporate Governance Rules also provide provisions related to the General Assembly, which includes procedures and precautions necessary to ensure that all shareholders are exercising their regular rights. The 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 Audit Committee and the external auditor and determination of his fees, approval of the Regulation for the Audit Committee which shall include its procedures, duties and rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the Committee becomes vacant, approval of the Regulation for the Remuneration and Nomination Committee including its procedure, duties and rules for selecting its members, the term of their membership and their remunerations, approval of dividend distribution as recommended by the Board of Directors, increase or decrease of the capital of the Company and amendment of the Articles of Association. Almarai provides sufficient access for its shareholders to read the minutes of the General Assembly meeting and provides the Capital Market Authority with a copy of the minutes within 10 days of the meeting.

Shareholder concerns that have a significant gravity are elevated through the appropriate channels to the Board of Directors for consideration and action. These concerns if necessary would be raised to the Board Secretary. Any material concerns that could potentially impact the company or its financial position and which are available in all means of media, newspaper, Almarai website, or announcement via the stock exchange will be communicated to the Board of Directors.



Board of Directors formation and functions

Almarai's Articles of Association/Bylaws provides for a Board of Directors (comprising nine members). The rules regarding the appointment, resignation, term of office, powers, remuneration and the principal requirements are summarised below.

The Board of Directors is the supreme management body within the Company and is appointed by the shareholders at the General Assembly in order to represent and protect the Company's interests. The Board is responsible for leading and controlling the Company and discharges this responsibility by approving the implementation of Company strategies and objectives. The Board empowers the management of the Company to run the business within defined parameters and monitors 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 business, the Board retains ultimate fiduciary responsibility to shareholders to ensure the proper operation of the Company. The Board is appointed by the shareholders with primary responsibility for operating the Company in their long-term best interests. The Board also has a responsibility to provide clear directions and boundaries for the Company's Executive Management to operate within. 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 within which they are permitted to operate.

This process is achieved 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 policy related to risk management, and reviewing and updating 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, supervising the implementation thereof and overseeing the overall performance of the Company.
 - Reviewing and approving the organizational and functional structures of the Company on a periodic basis.
- Laying down rules for internal control systems and supervising those systems. This includes:
 - Developing a written policy to regulate conflicts 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 arbitrary disposition resulting from dealings with related parties.
 - Ensuring the integrity of 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 transparently.
 - Annually reviewing the effectiveness of internal control systems.
- Drafting Corporate Governance Rules for the Company that do not contradict the provisions of existing laws and regulations, supervising and monitoring, in general, the effectiveness of the Rules and amending them whenever necessary.
- Laying down specific and explicit policies, standards and procedures for the Members 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. 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 the settlement of complaints or disputes that might arise between the Company and 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 proper professional and ethical standards and regulating their relationship with stakeholders.
 - The Board of Directors lays down procedures for supervising this code and ensuring its compliance.
 - The Company's social contributions.

Board of Directors formation and functions continued

- Deciding on policies and procedures to ensure the Company's compliance with laws and regulations and the Company's obligation to disclose material information to shareholders, creditors and other stakeholders.
- Preparing the financial statements and the annual report on the activities and financial status of the Company for the last financial year including the proposed method for dividends payment.
- Recommending to the General Assembly of Shareholders the appointment, dismissal and the remuneration of external auditors.

Almarai's Corporate Governance Rules stipulate that the Board should include a minimum of one in three independent Directors. Executives may be Directors upon satisfaction of the relevant legal requirements.

Almarai has implemented internal check-and-balance measures for assessing the performance of the Board of Directors and its Committees. These measures include but are not limited to a formal review process involving an evaluation by each Board member on the performance and effectiveness of the Board as a body, and its members individually.

Members of the Board of Directors

The following tables include Directors' names, positions, membership status in other joint stock companies, and attendance at the Board meetings held during 2017, noting that these meetings were planned and the Chairman did not receive any request by two or more of the Board Members to hold emergency meetings during 2017.

Member name	Position	Membership status	(Listed/Unlisted)	Membership of Joint Stock Companies inside and outside of KSA
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman of the Board	Non-Executive	Listed	Yamamah Cement Co., Arabian Shield Cooperative Insurance Company
			Unlisted	-
Mr. Suliman bin Abdulkader Al Muhaideb (a representative of Savola Group)	Vice Chairman	Non-Executive	Listed	The Saudi British Bank, National Industrialization Co., Savola Group
			Unlisted	Al Muhaideb Group, Al Oula Real Estate Development Company, ACWA Power, Rafal Real Estate Co.
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Board Member	Non-Executive	Listed	-
			Unlisted	Al Jazirah Corporation for Press, Printing and Publishing, Saudi Kuwaiti Finance House, Arab Company for Agricultural Services (Arasco)
Dr. Ibrahim bin Hassan Al Madhoun	Board Member	Independent	Listed	Red Sea Housing Services Company, Fitaihi Holding Group
			Unlisted	Al Obeikan Investment Group
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Board Member	Non-Executive	Listed	Yamamah Cement Co., Mobile Telecommunication Company Saudi Arabia (Zain KSA)
			Unlisted	Gulf Farabi Petrochemical Co., Kuwaiti Chinese Holding Co., Tarabot for Investment and Development Co.
Engr. Mosa bin Omran Al Omran	Board Member	Independent	Listed	Banque Saudi Fransi
			Unlisted	-
Dr. Abdulrahman bin Suliman Al Turaigi	Board Member	Independent	Listed	-
			Unlisted	-
Mr. Bader bin Abdullah Al Issa (a representative of Savola Group)	Board Member	Non-Executive	Listed	Savola Group, Banque Saudi Fransi, Dur Hospitality Co.
			Unlisted	Saudi Fransi Capital, Savola Packaging Systems, Kinan Company, Al Aqeeq Real Estate Development Co., Sukoon International Co.
Engr. Rayan bin Mohammed Fayez (a representative of Savola Group)	Board Member	Non-Executive	Listed	Knowledge Economic City, Herfy Food Services Co.
			Unlisted	Saudi Stock Exchange (Tadawul), J. P. Morgan Saudi Arabia, Hassana Investment Company, Panda Retail Company, Savola Foods Company, Kinan Company

Ownership of Board of Directors members, spouses and minors

The following tables illustrate shares held by members of the Board of Directors, their spouses and minors, and any changes that occurred during 2017. Some of the changes in the number of shares are due to the capital increase, in which case ownership percentage remains the same. 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 by Board of Directors members

Member name	Note	Shares				Closing balance	Percentage change
		Opening balance	Before capital increase	Changes due to capital increase	Changes after capital increase		
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Personal ownership	189,565,229	-	47,391,307	-	236,956,536	25%
Mr. Suliman bin Abdulkader Al Muhaideb (a representative of the Savola Group)	Personal ownership	6,956	-	1,739	-	8,695	25%
	Savola Group ownership	-	-	-	-	-	-
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Personal ownership	2,644,828	801,000	200,250	-	1,001,250	(62%)
Dr. Ibrahim bin Hassan Al Madhoun	Personal ownership	8,000	-	2,000	-	10,000	25%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Personal ownership	6,956,521	-	1,739,130	-	8,695,651	25%
Engr. Mosa bin Omran Al Omran	Personal ownership	4,192,256	1,192,256	298,064	-	1,490,320	(64%)
Dr. Abdulrahman bin Suliman Al Turaigi	Personal ownership	1,033	-	258	-	1,291	25%
Mr. Bader bin Abdullah Al Issa (a representative of the Savola Group)	Personal ownership	1,333	-	333	-	1,666	25%
	Savola Group ownership	-	-	-	-	-	-
Engr. Rayan bin Mohammed Fayez (a representative of the Savola Group)	Personal ownership	-	-	-	-	-	-
	Savola Group ownership	-	-	-	-	-	-

Ownership by spouses and minors

Member name	Shares				Closing balance	Percentage change
	Opening balance	Changes before the capital increase	Changes due to the capital increase	Changes after the capital increase		
Wife of HH Prince Sultan bin Mohammed bin Saud Al Kabeer	5,032,364	4,869,564	1,217,391	6,086,955	6,086,955	21%
Wife of Engr. Mosa bin Omran Al Omran	368,693	68,995	17,248	86,243	86,243	(77%)

Ownership of Senior Managers, spouses and minors

The following table illustrates Senior Managers', their spouses' and minors' interests in Almarai shares, as well as any changes that occurred in 2017. Some of the changes in the number of shares are due to the capital increase, in which case ownership percentage remains the same. 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 by Senior Managers

Senior Managers	Shares				Closing balance	Percentage change
	Opening balance	Changes before capital increase	Changes due to capital increase	Changes after capital increase		
Georges P. Schorderet	60,000	-	15,000	75,000	75,000	25%
Abdullah Abdulkarim	-	-	-	-	-	-
Abdullah Al Bader	208	-	52	260	260	25%
Andrew Mackie	24,666	19,200	4,800	24,000	24,000	(3%)
Faisal Alfahadi	-	-	-	-	-	-
Fawaz Aljasser	-	-	-	-	-	-
Hussam Abdulqader	-	-	-	-	-	-
Jack Castelein	-	-	-	-	-	-
Larus Asgeirsson	-	-	-	-	-	-
Majed Nofal	-	-	-	-	-	-
Malcolm Jordan	-	-	-	-	-	-
Niall Mackay	-	-	-	-	-	-
Omar Salim	-	-	-	-	-	-
Paul-Louis Gay	-	-	-	-	-	-
Richard Salisbury	-	-	-	-	-	-
Sjur Fitje	-	-	-	-	-	-
Thamer Almuhid	-	-	-	-	-	-
Thomas Trimble	-	-	-	-	-	-

Details of paid compensation and remuneration

Remuneration of the Board of Directors is determined according to the recommendation of the Remuneration and Nomination Committee, taking into consideration both statutory provisions and the need to attract the best Directors for membership of the Board to ensure the effective performance of the Company. Remuneration is in line with official rules and regulations, and within the limits of the Companies Law and other supplementary regulations. Board Members receive attendance and travel allowances, in accordance with the regulations outlined by the relevant authorities in the Kingdom.

Paid to Directors during 2017

	Fixed Remuneration (SAR)					Remuneration of the Chairman, Managing Director or Secretary, if a member	Total
	Specific amount	Allowance for attending Board meetings	Allowance for attending committee meetings	In kind benefits	Remuneration for technical, managerial and consultative work		
Non-Executive and Independent Directors							
HH Prince Sultan bin Mohammed bin Saud Al Kabeer		15,000	60,000			500,000	575,000
Mr. Suliman bin Abdulkader Al Muhaideb (a representative of Savola Group)		15,000					15,000
Mr. Abdulrahman bin Abdulaziz Al Muhanna		15,000	260,000		1,500,000		1,775,000
Dr. Ibrahim bin Hassan Al Madhoun		35,000	320,000				355,000
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer		15,000	200,000				215,000
Engr. Mosa bin Omran Mohammed Al Omran		35,000	260,000				295,000
Dr. Abdulrahman bin Suliman Al Turaigi		35,000	120,000			60,000	215,000
Mr. Bader bin Abdullah Al Issa (a representative of Savola Group)		15,000	45,000				60,000
Engr. Rayan bin Mohammed Fayez (a representative of Savola Group)		35,000	40,000				75,000
Mr. Ibrahim bin Mohammed Al Issa (a representative of Savola Group)							-
HE Engr. Abdullah bin Mohammed Noor Rihaimi (a representative of Savola Group)			160,000				160,000
Engr. Nasser bin Mohammed Al Muttawa							-
Executive Directors							
None	-	-	-	-	-	-	-
Total	-	215,000	1,465,000	-	1,500,000	560,000	3,740,000

Paid to Senior Executives during 2017 (including CEO and CFO)

The most Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Senior Executives.

	Fixed Remuneration			Total
	Basic salary	Allowances	In kind benefits	
Top Five Executives Total Remuneration 2017	7,746,087	528,000	1,531,206	9,805,293
Top Five Executives Total Remuneration 2016	6,396,648	600,000	1,619,398	8,616,046

Variable Remuneration (SAR)

Percentage of the profits	Periodic remunerations (As per the prior approval of 2016 General Assembly Meeting)	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End-of-service award	Aggregate amount
	200,000				200,000		775,000
	200,000				200,000		215,000
	200,000				200,000		1,975,000
	200,000				200,000		555,000
	200,000				200,000		415,000
	200,000				200,000		495,000
	80,000				80,000		295,000
	80,000				80,000		140,000
	40,000				40,000		115,000
	120,000				120,000		120,000
	160,000				160,000		320,000
	120,000				120,000		120,000
-	-	-	-	-	-	-	-
-	1,800,000	-	-	-	1,800,000	-	5,540,000

Variable remuneration

Periodic remuneration	Profits	STI	LTI	Granted shares	Total	EoSB	Board remuneration	Aggregate amount
0	0	12,215,100	0	3,009,112	15,224,212	591,012	275,000	25,895,517
0	0	8,055,579	0	2,313,510	10,369,089	2,460,560	275,000	21,720,696

Details of paid compensation and remuneration continued

Committees**Executive Committee**

	Fixed remuneration (except for the allowance for attending Board meetings) (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	200,000	15,000	215,000
Mr. Abdulrahman bin Abdulaziz Al Muhanna	200,000	15,000	215,000
Dr. Ibrahim bin Hassan Al Madhoun	200,000	35,000	235,000
HH Prince Saud bin Sultan bin Mohammed bin Saud	200,000	15,000	215,000
Engr. Mosa bin Omran Al Omran	200,000	35,000	235,000
Engr. Rayan bin Mohammed Fayez	40,000	35,000	75,000
HE Engr. Abdullah bin Mohammed Noor Rihaimi	160,000	0	160,000
Mr. Christopher Ledwidge	200,000	115,000	315,000
Mr. Georges P. Schorderet	200,000	15,000	215,000
Total	1,600,000	280,000	1,880,000

Remuneration and Nomination Committee

	Fixed remuneration (except for the allowance for attending Board meetings) (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	60,000	0	60,000
Mr. Abdulrahman bin Abdulaziz Al Muhanna	60,000	0	60,000
Engr. Mosa bin Omran Al Omran	60,000	0	60,000
Mr. Bader bin Abdullah Al Issa	45,000	0	45,000
Mr. Georges P. Schorderet	60,000	0	60,000
Total	285,000	0	285,000

Audit Committee

	Fixed remuneration (except for the allowance for attending Board meetings) (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
Dr. Abdulrahman bin Suliman Al Turaigi	120,000	35,000	155,000
Dr. Ibraqhim bin Hassan Al Madhoun	120,000	15,000	135,000
Dr. Muhammad bin Hassan Ikhwan	120,000	15,000	135,000
Mr. Farraj bin Mansour Abo Thenian	120,000	15,000	135,000
Mr. Sulaiman bin Nasser Alhatlan	120,000	15,000	135,000
Mr. Talha Sidameh (Secretary)	100,000	5,000	105,000
Total	700,000	100,000	800,000

Board of Directors Committees

The Board may at any time establish, by formal resolution, other sub-committees 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 its sub-committees, to ensure that their delegations remain appropriate. During 2017, there were no new sub-committees formed. During its Extra Ordinary General Assembly on 8 October 2017, the Company's shareholders approved the Regulations of the Audit Committee and the Regulation of the Remuneration and Nomination Committee.

Executive Committee

Almarai's bylaws (Article 27) allow the Board the option to establish an Executive Committee, if it so chooses. Article 27 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 is subject to Part Four of the Corporate Governance Rules, which stipulates that the composition of Board committees is based on the Company's needs and circumstances, 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 tasks of the committee, the duration of its work and the prerogatives given. The Board has the obligation to periodically follow up on these committees to check on the progress of the work entrusted to them. The Company's Board of Directors decides 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; analyze and make enquiries about 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 post-implementation analyses supplied by management for all major CAPEX 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 Committee in this regard.
- Review policies and procedures developed by Executive Management but do not approve anything requiring Board approval.
- Make recommendations to the Board on any changes to sponsors or agency structures.
- Review and approve requests 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.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was formed on 24 March 2008. The Committee has the role of making recommendations to the Board of Directors on nominations to the Board, developing clear policies for the remuneration of the Board of Directors and Senior Executives of the Company and its subsidiaries, reviewing the structure of the Board of Directors, identifying weaknesses and strengths of Members of the Board, ensuring the independence of independent Members (annually) and ensuring the absence of conflicts of interest if Members also belong to the Board of Directors of another company.

Regarding remuneration, the Committee shall be competent for the following:

- Preparing a clear policy for the remuneration of the Board members and its committees, and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that are linked to performance, and disclosing and ensuring the implementation of such policy.
- Clarifying the relation between the paid remuneration and the adopted remuneration policy and highlighting any material deviation from that policy.
- Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives.
- Providing recommendations to the Board in respect of the remuneration of its members, its Committees and Senior Executives, in accordance with the approved policy.
- Reviewing the financial remuneration of the Chief Executive Officer, including long-term and short-term incentives, in addition to setting the performance level to be achieved by the Chief Executive Officer, and providing recommendations to the Board in respect thereof.
- Reviewing and authorizing the Chief Executive Officer's recommendations as to financial remuneration of senior executives.
- Ensuring and observing the compliance of the Company with respect to the policy for the remuneration of the Board members and its committees, and the Executive Management approved by the General Assembly of Shareholders.

Regarding nominations, the Committee shall be competent for the following:

- Suggesting clear policies and standards for membership of the Board and the Executive Management.
- Providing recommendations to the Board for the nomination or re-nomination of its members, in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.
- Determining the amount of time that the member shall allocate to the activities of the Board.
- Annually reviewing the skills and expertise required of the Board members and the Executive Management, while determining the strengths and weaknesses of the Board and Executive Management, and recommending remedial solutions that serve the Company's interests.
- Reviewing the structure of the Board and Executive Management, as well as providing recommendations regarding changes that may be made to such structure.
- Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest, if a Board member also acts as a member of the Board of Directors of another company.
- Providing job descriptions for the Executive, Non-Executive and Independent Directors and Senior Executives.
- Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant.
- Determining the strengths and weaknesses of the Board and recommending remedial solutions that serve the Company's interests.
- Providing an appropriate level of training and induction to new Board members regarding the Company's tasks and achievements, so that they can perform their duties effectively.
- Examining and reviewing the Executive Management's performance.
- Examining and reviewing succession plans for the Company in general, and for the Board of Directors, Chief Executive Officer and Senior Executives.
- Examining and reviewing the recommendations of the Chief Executive Officer regarding the appointment and termination of Senior Executives, except for the Head of Internal Audit Department who shall be appointed and dismissed upon the recommendation of the Company's Audit Committee.

Remuneration and Nomination Committee continued

During 2017 the Remuneration and Nomination Committee held four meetings. The following table illustrates the names, positions and attendance of Committee members:

Remuneration and Nomination Committee Meetings During 2017

Member name	Position	Meetings				Attendance Rate
		First 26 Mar	Second 11 Aug	Third 9 Oct	Fourth 11 Dec	
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Chairman	Attended	Attended	Attended	Attended	100%
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Member	Attended	Attended	Attended	Attended	100%
Engr. Mosa bin Omran Al Omran*	Member	Attended	Attended	Attended	Attended	100%
Mr. Georges P. Schorderet **	Member	Attended	Attended	Attended	Attended	100%
Mr. Bader bin Abdullah Al Issa	Member	Attended	Attended	Attended	Attended	100%

* Appointed as Remuneration and Nomination Committee Chairman with effect from 9 October 2017.

** Appointed as Remuneration and Nomination Committee Secretary with effect from 9 October 2017.

Audit Committee

Regulation of the Audit Committee, including the remuneration of its members, was approved by the General Assembly on 8 October 2017, in accordance with Article 101 of the Companies Law.

The Audit Committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the Audit Committee shall particularly include the following:

Financial reports:

- Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model and strategy.
- Analyzing any important or non-familiar issues contained in the financial reports.
- Accurately investigating any issues raised by the Company's Chief Financial Officer or any person assuming his/her duties, or the Company's Compliance Officer or External Auditor.
- Examining accounting estimates in respect of significant matters that are contained in the financial reports.
- Examining the Company's accounting policies and providing the Board with its opinion and recommendations thereon.

Internal audit:

- Examining and reviewing the Company's internal and financial control systems, as well as its risk management policies.
- Analyzing internal audit reports and following up on the implementation of corrective measures in respect of the remarks contained therein.
- Monitoring and overseeing the performance and activities of the Company's Internal Auditor and Internal Audit Department, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
- Submitting a recommendation to the Board on appointing a director for the internal audit department, and suggesting the remuneration thereof.
- Studying and reviewing the Company's internal control system and preparing a written report on its opinion regarding the adequacy thereof and other activities that it conducted within its competence. The Board shall make available sufficient copies of said report at the Company's head office at least 10 days prior to the date set for the General Assembly meeting, in order to provide each shareholder with a copy of said report, which shall be read during the Assembly.

The Auditor:

- Providing recommendations to the Board to nominate auditors, dismiss them, determine their remuneration and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
- Verifying the independence of the auditor, its objectivity, fairness, and the effectiveness of audit activities, taking into account relevant rules and standards.
- Reviewing the plan of the Company's auditor and its activities, and ensuring that it does not provide any technical or administrative work that are beyond its scope of work, and provides its opinion thereon.
- Responding to queries of the Company's auditor.
- Reviewing the auditor's reports and its comments on the financial statements, as well as following up on the procedures taken in connection therewith.

Ensuring compliance:

- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
- Ensuring the Company's compliance with relevant laws, regulations, policies and instructions.
- Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith.
- Reporting to the Board any issues in connection with what it deems necessary to take action on and providing recommendations as to the steps that should be taken.
- Studying and reviewing the Company's risk management policies.

Audit Committee continued

The Committee is formed according to the following rules:

- An Audit Committee shall be formed by a resolution of the Ordinary General Assembly of the Company upon the recommendation of the Board of Directors.
- Nomination of Audit Committee members shall be pursuant to the recommendation of the Remuneration and Nomination Committee.
- Audit Committee members may be shareholders or others, provided that at least one of them is an independent member, and that one of its member is specialized in finance and accounting.
- The Audit Committee shall not include any Executive Directors.
- Any person who works or has worked in the executive or financial management of the Company or with the Auditor of the Company during the last two years may not be a member of the Audit Committee.
- The number of members of a committee shall not be less than three or more than five.
- The Chairman of the Board of Directors may not be a member of the Audit Committee.
- Members of the Audit Committee shall be selected in such a way as to ensure that they possess a variety of skills and expertise, taking into account their possession of appropriate expertise in the Company's business sector, including those who are competent in financial and accounting matters.
- Members of the Audit Committee shall be appointed for a period not exceeding three years and may be reappointed as needed for the Committee's formation.
- The Chairman of the Audit Committee shall be an independent member and shall be appointed by the members thereof at the first Committee meeting.
- At its first meeting, the Audit Committee shall appoint a Secretary from among its members or the Company's employees.
- If an Audit Committee seat becomes vacant, the Company's Board of Directors may appoint a temporary member to the vacant position, provided that the latter has the required expertise and competence. The CMA shall be informed thereof within five business days from the date of appointment, which shall be submitted before the Ordinary General Assembly at its first subsequent meeting. The new Audit Committee member shall complete the term of his predecessor.
- The Company undertakes to notify the CMA of the names of its Audit Committee members and the status of their memberships within five business days from the date of their appointment, as well as any changes that may affect their membership, within five business days from the occurrence of such changes.

As per Article 103 of the Companies Law, the Audit Committee may ask the Board of Directors to call the General Assembly to convene if the Board of Directors hinders its work or when the Company suffers serious damages or losses.

During 2017 the Audit Committee held five meetings. The following table illustrates the names, positions and attendance of the Committee members:

Audit Committee Meetings During 2017

Member name	Position	Meetings					Attendance rate
		Previous period			New period		
		First 12 Feb	Second 26 Mar	Third 7 Jun	Fourth 8 Oct	Fifth 10 Dec	
Dr. Abdulrahman bin Suliman Al Turaigi	Chairman	Attended	Attended	Attended	Attended	Attended	100%
Dr. Muhammad bin Hassan Ikhwan	Member	Attended	Attended	Attended	Attended	Attended	100%
Dr. Ibrahim bin Hassan Al Madhoun	Member	Attended	Attended	Attended	Attended	Attended	100%
Mr. Farraj bin Mansour Abo Thenian	Member	Attended	Attended	Attended	Attended	Attended	100%
Mr. Sulaiman bin Nasser Alhatlan*	Member	Attended	Attended	Attended	Attended	Attended	100%

* Specialist in accounting and auditing.

Results of annual internal audit procedures

Internal control system

The Board shall approve an internal control system for the Company in order to assess the policies and procedures relating to risk management, implementation of the provisions of the Company's governance rules approved by the Company and compliance with the relevant laws and regulations. Such system shall ensure compliance with clear accountability standards at all executive levels in the Company, and that Related Party transactions are implemented in accordance with the relevant provisions and controls.

Establishing independent departments within the Company

For purposes of implementing the approved internal control system, the Company has established departments for the assessment and management of risks and for internal auditing. The Company may utilise external entities to perform the duties and competencies of the units or departments of risk assessment and management and internal control without prejudice to the Company's responsibility for those duties and competencies.

Duties of the Internal Audit Department

An Internal Audit Department shall assess and monitor the implementation of the internal control system, and verifies that the Company and its employees comply with the applicable laws, regulations and instructions, and the Company's policies and procedures.

Composition of the Internal Audit Department

The Internal Audit Department shall be composed of an internal auditor manager whose appointment is recommended by the Audit Committee. Such internal auditor shall be responsible before the Audit Committee and a number of competent employees. The formation and operation of the Internal Audit Department shall take into consideration the following:

- Employees of such Department shall be competent, independent and adequately trained, and shall not be entrusted with any functions other than internal audit duties and internal control system.
- The Internal Audit Department shall report to the Audit Committee, and shall be subordinate and accountable to it.
- The remuneration of the manager of the Audit Department shall be determined by a recommendation of the Audit Committee, as per Company policies.
- The Department shall be given access to information and documents, and shall be able to obtain the same without any restrictions.

Internal Audit Plan

The Internal Audit Department shall operate pursuant to a comprehensive audit plan approved by the Audit Committee. Such plan shall be updated annually. Key activities and operations, including the activities of the risk management and compliance departments, shall be reviewed at least annually.

Results of annual internal audit procedures continued

Maintaining Internal Audit Reports

The Company shall keep records of the audit reports and business documents, which shall clarify its accomplishments, findings and recommendations, and all actions taken in their regard.

Internal Audit Report

- The Internal Audit Department shall prepare and submit, at least quarterly, a written report on its activities to the Board and the Audit Committee. Such report shall include an assessment of the Company's internal control system and the final opinion and recommendations of the Department. Such report shall also specify the procedures taken by each department for addressing the findings and recommendations from the previous audit, and any remarks thereon, particularly failures to promptly address such findings and recommendations and the reasons for such failure.
- The Internal Audit Department shall prepare a general written report to be submitted to the Board and the Audit Committee on the audit activities it carried out during the financial year, compared to the approved plan. Such report shall explain the reasons for any deviation from the plan, if any, during the quarter following the end of the relevant financial year.
- The Board shall specify the scope of the report of the Internal Audit Department, based on recommendations from the Audit Committee and the Internal Audit Department. The report shall include the following in particular:
 - Procedures for monitoring and overseeing the financial affairs, investments and risk management.
 - Assessing the development of risk factors threatening the Company and the existing systems, in order to confront radical or unexpected changes on Tadawul.
 - An assessment of the performance of the Board and the Senior Management with respect to the implementation of internal control systems, including specifying the number of times the Board has been informed of control issues (including risk management) and a description of the method followed to address such issues.
 - Failures or weaknesses in the implementation of internal control, or emergency situations that have affected or may affect the Company's financial performance, and the measures taken by the Company to address such failures (particularly the issues disclosed in the Company's annual reports and its financial statements).
 - The extent to which the Company has complied with the internal controls when determining and managing risks.
 - Information describing the Company's risk management operations.

There are different levels of responsibility and reporting lines for the efficient running of risk management systems at Almarai, as described earlier in the report. The Audit Committee directly supervises Internal Audit, while Internal Audit continuously examines the efficiency and effectiveness of Almarai's internal control systems.

Accordingly, the Board of Directors, based on the reports and recommendations of the Audit Committee, and in line with its business plan, confirms the following in respect to 2017:

- That no matters were brought to the Board's attention that would lead the Board to believe that there was a fundamental lack of integrity in financial and accounting systems, such that it would require 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 were material and would require disclosure
- That all necessary arrangements and corrective actions have been taken on all concerns and recommendations raised by Internal Audit to the Audit Committee.

Related party transactions

Almarai's written policy on conflict of interest addresses potential conflict situations for Directors, Executives and shareholders. The General Assembly is notified of any potential conflict of interest requiring approval.

During the normal course of its operations in 2017, Almarai carried out the following significant transactions with related parties on an 'arm's length basis':

Nature of transaction	Transaction amount		Balance at		
	31 December 2017 (Audited) SAR '000	31 December 2016 (Audited) SAR '000	31 December 2017 (Audited) SAR '000	31 December 2016 (Audited) SAR '000	1 January 2016 (Audited) SAR '000
Sales To					
Panda Retail Company	640,247	612,686	182,733	112,475	96,339
	640,247	612,686	182,733	112,475	96,339
Purchases From					
United Sugar Company	106,313	106,991	(6,633)	(8,702)	(7,661)
Afia International Company	8	76	-	(76)	-
Al Nafoura Catering	393	309	(28)	(43)	-
Al Kabeer Farms - Forage	55,626	53,530	(19,416)	(20,216)	(8,899)
Arab Company for Agricultural Services (ARASCO)	4,228	6,349	(573)	1,131	1,507
	166,568	167,255	(26,650)	(27,906)	(15,053)
Services To					
Al Kabeer Farms	864	864	-	-	-
United Farmers Holding Company	-	131	1,735	1,735	1,603
	864	995	1,735	1,735	1,603
Services From					
Arabian Shield Cooperative Insurance Company	115,181	113,704	(92)	981	(48,865)
Todhia Farm	813	813	-	-	-
Mr. Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	173	173	-	-	-
Mobile Telecommunication Company Saudi Arabia	839	303	-	-	-
Al Jazirah Corporation for Press, Printing and Publishing	139	357	-	(52)	(120)
	117,145	115,350	(92)	929	(48,985)
Dividend Received					
Pure Breed Company	-	500	-	-	-
	-	500	-	-	-

Nature of transaction	Transaction amount		Balance at		
	31 December 2017 (Audited) SAR '000	31 December 2016 (Audited) SAR '000	31 December 2017 (Audited) SAR '000	31 December 2016 (Audited) SAR '000	1 January 2016 (Audited) SAR '000
Payment of Sukuk Finance Charges					
Yamama Cement Company	1,581	1,179	(373)	(433)	(235)
Saudi British Bank	14,940	10,664	(3,825)	(4,221)	(2,376)
Banque Saudi Fransi	14,855	11,180	(3,764)	(4,442)	(2,547)
Arabian Shield Cooperative Insurance Company	98	73	(29)	(33)	-
	31,474	23,096	(7,991)	(9,129)	(5,158)
Bank Financing					
Saudi British Bank	35,935	31,136	1,242,095	692,569	1,175,494
J.P. Morgan Saudi Arabia Limited	5,398	1,046	-	375,250	-
Banque Saudi Fransi	9,873	19,093	210,000	415,000	781,667
	51,206	51,275	1,452,095	1,482,819	1,957,161

Related party transactions continued

Dealings during the year 2017

The following significant related party transactions during 2017 require approval from the General Assembly:

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	2017	Commercial condition prevailing in the market
Al Kabeer Farms – Forage	Procurement feed	55,626	2017	Commercial condition prevailing in the market
Rental Thodhia farm – Dairy	Lease contract	813	2017	Commercial condition prevailing in the market
Al Nafoura Catering	Catering services	393	2017	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Company	Insurance	115,181	2016:2017	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Company	Invest in instruments	3,000	2012:2019	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Company	Payment of sukuk finance charges	98	2017	Commercial condition prevailing in the market
Chairman/HH Prince Sultan bin Mohammed bin Saud Al Kabeer and HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer				
Yamama Cement Company	Invest in instruments	50,000	2013:2018	Commercial condition prevailing in the market
Yamama Cement Company	Payment of sukuk finance charges	1,581	2017	Commercial condition prevailing in the market
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer				
Mobile Telecommunication Company Saudi Arabia	Telecommunication services	839	2017	Commercial condition prevailing in the market
Mr. Abdulrahman bin Abdulaziz Al Muhanna				
Rent of Land For Distribution Center in Sharjah	Lease contract	173	2001:2021	Commercial condition prevailing in the market
Al Jazirah Corporation for Press, Printing and Publishing	Services of publication	139	2017	Commercial condition prevailing in the market
Arab Company for Agricultural Services (ARASCO)	Procurement feed	4,228	2017	Commercial condition prevailing in the market
Savola Group				
Panda Retail Company	Product sales	640,247	2017	Commercial condition prevailing in the market
United Sugar Company	Sugar purchasing	106,313	2017	Commercial condition prevailing in the market
Afia International Company	Soya bean oil purchasing	8	2017	Commercial condition prevailing in the market
Engr. Rayan bin Mohammed Fayez				
J.P. Morgan Saudi Arabia Limited	Financial services	5,398	2017	Commercial condition prevailing in the market
Mr. Suliman bin Abdulqader Al Muhaideb				
Saudi British Bank	Bank services	35,935	2017	Commercial condition prevailing in the market
Saudi British Bank	Invest in instruments	100,000	2015:2022	Commercial condition prevailing in the market
Saudi British Bank	Invest in instruments	150,000	2013:2018	Commercial condition prevailing in the market
Saudi British Bank	Invest in instruments	167,000	2013:2020	Commercial condition prevailing in the market
Saudi British Bank	Invest in instruments	50,000	2012:2019	Commercial condition prevailing in the market
Saudi British Bank	Bank financing	1,242,095	2016:2027	Commercial condition prevailing in the market
Saudi British Bank	Payment of sukuk finance charges	14,940	2017	Commercial condition prevailing in the market
Engr. Mosa bin Omran Al Omran and Mr. Bader bin Abdullah Al Issa				
Banque Saudi Fransi	Bank services	9,873	2017	Commercial condition prevailing in the market
Banque Saudi Fransi	Invest in instruments	100,000	2015:2022	Commercial condition prevailing in the market
Banque Saudi Fransi	Invest in instruments	200,000	2013:2018	Commercial condition prevailing in the market
Banque Saudi Fransi	Invest in instruments	100,000	2013:2020	Commercial condition prevailing in the market
Banque Saudi Fransi	Invest in instruments	90,000	2012:2019	Commercial condition prevailing in the market
Banque Saudi Fransi	Bank financing	210,000	2016:2019	Commercial condition prevailing in the market
Banque Saudi Fransi	Payment of sukuk finance charges	14,855	2017	Commercial condition prevailing in the market

Disclosure and transparency policy

Almarai seeks to provide accurate, regularly updated information to all its stakeholders and other interested parties. This policy reflects current activities and will be updated as and when those activities change. The Company publishes and regularly updates information about corporate structure and operations, partners, investments, other commercial activity and performance-related information. As a publicly listed company, Almarai recognizes its obligation to respond appropriately to legitimate questions from consumers, customers, Government, the media and other stakeholders.

Information disclosed by Almarai under this policy is available on various websites including the Company's website (www.almarai.com) and the Saudi Stock Exchange (Tadawul) website (www.tadawul.com.sa).

The following information is updated and published annually, or as required by the law and relevant 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 Financial Statements.
- Annual Reports and Financial Statements.
- Accounting Policies.
- Related Party Transactions.
- Review of Principal Activities.
- Auditors' Report.

In the following circumstances, Almarai will not routinely publish information:

- 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.
- When information 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.
- Where disclosure would, or would be likely to, prejudice the investigation, prevention or detection of crime, or the administration of justice.
- When information is 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 Almarai

Related or interested parties are invited to communicate with the Investor Relations department by email: investor.relations@almarai.com

Interested parties may also contact the Company through the following telephone numbers: 800 124 6688 in Saudi Arabia, or +966 (11) 453 6688 from abroad. Interested parties may also contact Almarai by email: 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 2017, 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, 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.
- No redemption, purchase, or cancellation by Almarai or any of its subsidiaries of any redemption of debt instruments occurred.
- There were no substantial operational conflicts of interest during 2017, other than those that have been disclosed.
- We did not receive a request from the external auditors to call a meeting of the General Assembly during 2017.
- We did not receive a request from shareholders owning 5.0% or more of the Company's share capital to call a meeting of the General Assembly during 2017.
- There was no procedure that might lead to the obstruction of shareholders' rights of voting.
- There were no significant events affecting the integrity of the financial position of the Company after the Financial Year 2017 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

After reviewing the most important operational and financial activities for the Financial Year 2017, we are pleased to attach the Consolidated Financial Statements with the Auditors' Report. We recommend that the General Assembly approve the Directors' Report, the Consolidated Financial Statements and the Auditors' Report. The place and time of the General Assembly meeting and any other items on the agenda will be announced at a later date.

Almarai Board of Directors

February 2018

Financial review

Financial performance

Despite a general economic slowdown in the wider GCC, reduction in general consumption volume in nearly all markets, structural economic reforms taking place in Saudi Arabia and adverse effect of the Egyptian pound devaluation in late 2016, Almarai performed well with sales of SAR 13,936 million in 2017, representing a decrease of 2.8 % on the previous year.

Diverging from the declining trend in sales, the gross profit margin grew by 1.1% to SAR 5,584 million in 2017 (SAR 5,522 million in 2016) due to rigorous implementation of our cost rationalization programme, a significant improvement in bird health and tight control of direct costs. Selling & Distribution Expenses decreased by 3.6% along with a reduction of 8.2% in General and Administration Expenses, both due to a continual focus on cost control.

Therefore, even with the challenging economic environment, operating income was up by 2.6% to SAR 2,583 million. Relative to operating income, net income only increased by 1.6% to SAR 2,182 million due to higher funding costs driven by higher overseas debt profile and higher interest margin rates and relatively lower exchange gain compared to last year, mainly due to a stable Euro exposure.

Segmental results

Due to the difficult economic conditions in operating countries, top line growth was impacted for both the Dairy & Juice and Bakery segments which fell year on year by 4.1% and 3.9% respectively. Poultry segment revenues however increased by 9.9%, mainly due to consistent supply and stable market conditions compared with 2016.

Dairy & Juice segments' profit for the year decreased by 10.4% due to adverse market conditions, higher Alfalfa cost and GCC/Egypt economic situation. Net income in the Bakery segment decreased by 11.9% compared to the previous year, principally as a result of volume growth being stalled.

Poultry was the star segment for 2017. Poultry net sales growth has continued throughout the year due to a stable supply and the better market conditions. Driven by improved bird health, cost focus and commercial success in route to market operations, poultry delivered its first full year of positive EBIT results in 2017. The positive contribution to net income resulted in a turnaround of performance by SAR 265 million. Profit improvement in the 'Other' segment was delivered mainly by infant nutrition where losses have been reduced by 40% and stabilization of alfalfa production costs in Argentina and USA operations.

Geographic sales

Saudi Arabia, at 67% value share of Almarai sales at a country level, still accounts for a majority of the sales growth by contributing SAR 243 million (growth of 2.7% on back of strong volume growth) in higher sales year on year, as the majority of the dairy and poultry sales growth was based in KSA. The second highest growth was recorded in Kuwait driven by Fresh Dairy and Bakery (SAR 48 million). The decline in revenue from the rest of the GCC was due to the current economic slowdown and volume reduction.

Cash Flow and Balance Sheet

This year represents the highest ever free cash flows for the Company on an annualized basis. For 2017 Almarai achieved SAR 1.3 billion free cash flow which represents a SAR 1.8 billion increase from the previous year. The cash generated from operating activities (OCF) reached SAR 4.6 billion, mainly driven by revenue growth and working capital improvement. Cash flows from investing activities decreased by 33.5% primarily due to the reduction in capital investments projects. As a result of this continual investment in operational capabilities, the non current assets on the balance sheet grew by SAR 1.3 billion.

Managing risk

In the course of the year, the maturity profile of the existing debt facilities was extended from 3.8 years to 4.4 years, enabling the Company to benefit from favourable long-term interest rate curves. In anticipation of an interest rate increase, interest exposure was actively managed to deliver strong and positive results. In countries experiencing high levels of inflation – particularly Argentina and Egypt – there was close and constructive collaboration between local and corporate finance teams to mitigate the impact of currency devaluation on group cash flow.

Financial review continued

The Company continued to develop its commodities hedging programme for corn, soya beans and sugar, with an established risk framework in place to guard against challenges created by volatile prices. The corporate finance team also engaged in a comprehensive overhaul of existing insurance policies to ensure optimized coverage aligned with Almarai's changing risk profile.

In 2017 the Company continued to exploit opportunities for financial optimization, with the aim of adapting to the economic challenges faced by the region. Overall leverage of the Company at 2.8x is managed within a maximum limit of 3x net debt to EBITDA, while the capital investment as per the strategic plan reached a level of SAR 2.8 billion.

Given Almarai's significant capital investment requirements, one of the Company's main objectives was to ensure long-term, reliable, diversified and efficient sources of funding. Another important objective was to build flexibility to manage the various risks and exposures the Company faces. Both of these objectives were met in 2017, and will be important cornerstones of financial policy in the coming year.

Existing financing

Almarai has a good credit standing with various government and nongovernment financial and lending institutions, as well as fixed income investors. The recognition enjoyed by Almarai is based on the predictability of the Company's positive operating cash flows and its clear strategy for sustainable growth.

Existing financing amounted to SAR 11,613.9 million at the end of 2017, in the form of Murabaha banking facilities compliant with Islamic Sharia (excluding the banking facilities of foreign & GCC subsidiaries), 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 993.4 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 Company. The following table illustrates the financing agreements in place at the end of December 2017:

Financing at end of year 2017 (SAR million)

Source of financing	Amount of core funding	Financing period	Payment method	Start of year	Additions during the year	Paid during the year	End of year	Maturity date
Banks and Financial Institutions (Islamic Banking Facilities)	12,374.9	1 to 10 years	Quarterly, semi-annual and annual	5,796.3	3,084.0	(3,319.4)	5,560.9	2018 to 2027
Banking Facilities of Foreign Subsidiaries	793.5	1 to 7 years	Quarterly, semi-annual and annual	385.1	90.5	-	475.6	2018 to 2023
Banking facility of GCC Subsidiaries	229.8	1 Year	Annual	-	206.2	-	206.2	2018
Saudi Industrial Development Fund	2,121.8	1 to 11 years	Semi-annual	1,198.5	-	(205.1)	993.4	2018 to 2028
IFC (Member of World Bank)	281.4	1 to 9 Years	Semi-annual	-	281.4	-	281.4	2018 to 2026
Agricultural Development Fund	196.5	12 years	Annual	173.6	22.8	-	196.4	2018 to 2027
Sukuk - First Tranche	1,000.0	7 years	Lump sum	1,000.0	-	-	1,000.0	19 Mar
Sukuk - Second Tranche - 1	787.0	7 years	Lump sum	787.0	-	-	787.0	20 Mar
Sukuk - Second Tranche - 2	513.0	5 years	Lump sum	513.0	-	-	513.0	18 Mar
Sukuk - Third Tranche	1,600.0	7 years	Lump sum	1,600.0	-	-	1,600.0	22 Sep
Total	19,897.9			11,453.5	3,684.9	(3,524.5)	11,613.9	

Classification of funding (SAR million)

Classification	2017	2016
Short-Term Loans	231.6	146.9
Current Portion of Long-Term Loans	1,938.1	1,171.9
Long-Term Loans	9,444.2	10,134.7
Total	11,613.9	11,453.5

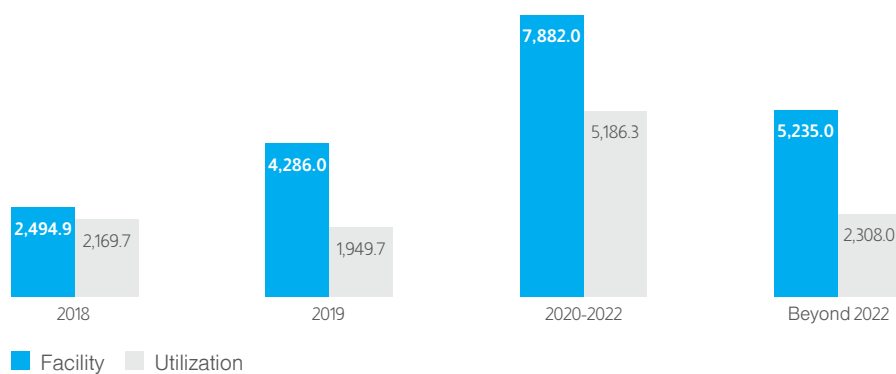
Maturity of funding (SAR million)

Maturity	2017	2016
Less than one year	2,169.7	1,318.8
One to two years	1,949.7	2,442.2
Two to five years	5,186.3	5,134.5
More than five years	2,308.2	2,558.0
Total	11,613.9	11,453.5

Potential financing

Due to the growing need to finance Almarai's future investments, our Treasury department manages any excess cash and constantly provides the necessary financing solutions for all operational needs, as well as investment proposals for cost-efficient financing facilities. The volume of un-utilized Murabaha banking facilities and available government financing amounted to SAR 8,234.0 million at the end of 2017. An additional SAR 763.31 million of SIDF facilities with a maturity of more than seven years have been secured by the Company. The following chart shows available funding and levels of utilisation in 2017 and for future years:

Facilities and Utilization



Independent Auditors' Report

To the Shareholders of Almarai Company – Joint Stock Company Riyadh, Kingdom of Saudi Arabia



Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Almarai – Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inventories

Refer to note: 5(C) for the accounting policy on inventories and note: 11 for the inventories disclosure.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the Group's inventories balance was SR 3,122 million (2016: SR 3,002 million) net of allowance for slow moving inventories of SR 459 million (2016: SR 388 million).</p> <p>Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for slow moving inventories. The management determines the level of obsolescence of inventories considering the nature, ageing profile, its expiry and sales expectations using historic trends and other qualitative factors. Further, at each reporting date, management reviews the valuation of inventories and the costs of inventories are written down where inventories are forecasted to be sold at below cost.</p> <p>We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment.</p>	<p>We performed the following audit procedures in relation to valuation of inventories:</p> <ul style="list-style-type: none"> - Assessed the design and implementation, and tested the effectiveness of the Group's control around determination and monitoring of the allowance for slow moving inventories; - Evaluated the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual results; - Used our IT specialist to test the integrity of the inventories' ageing report used by management in its assessment of allowance for slow moving inventories; - Checked that the allowance for slow moving inventories is computed in accordance with the Group's policy based on the inventories' ageing report; - Inquired for any identified expired or slow-moving inventories during our attendance of physical counts on selected locations; and - Tested the net realisable values of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value.



Goodwill impairment

Refer to Note: 5 (G) for the accounting policy relating to goodwill and note: 8 for the goodwill disclosure.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the carrying value of goodwill amounted to SAR 935 million (2016: SAR 931 million).</p> <p>Goodwill is subject to an annual impairment test. For the purpose of the Group's impairment assessment of goodwill, management has used the value in use model, to determine the recoverable amount, under which the future cash flows relating to each Cash Generating Unit (CGU) were discounted and compared to their respective carrying amounts. Value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates.</p> <p>We considered goodwill impairment as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.</p>	<p>We performed the following audit procedures in relation to goodwill impairment:</p> <ul style="list-style-type: none"> - Assessed the design and implementation, and tested the effectiveness of the Group's controls around goodwill impairment, and evaluated key assumptions used; - Used our specialist to test the key assumptions used in the management's value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions; - Compared key assumptions against industry benchmarks, applied our understanding of the future prospects of the business from internal and external sources, and compared forecasts to historical experience; - Checked the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and - Considered the adequacy of the Group's goodwill disclosures in terms of applicable accounting standards.

Revenue recognition

Refer to Note: 5 (S) for the accounting policy relating to revenue recognition and note: 30 for the related disclosures.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the Group recognized total revenue of SR 13,936 million (2016: SR 14,339 million).</p> <p>The Group's sales arrangements are generally straightforward, being on a point of sale basis with a right of return provided to the buyer in case of expiry of the product sold. Further, there continues to be pressure on the Group to meet expectations and targets, which may cause misstatement of revenue.</p> <p>Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions, either through inappropriate assessment of the sales return or by recording fictitious revenue transactions.</p>	<p>We performed the following procedures in relation to revenue recognition:</p> <ul style="list-style-type: none"> - We performed the following procedures in relation to revenue recognition: - Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards. Further, we also evaluated the method of estimating sales return provision, by performing retrospective testing of this management estimate; - Assessed the design and implementation, and tested the effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue as per the Group's policy; - Evaluated key contractual arrangements including rebates and returns arrangements by considering relevant documentation and agreements with the customers; - Inspected sales transactions taking place at either side of the year-end to assess whether revenue was recognized in the correct period; - Developed an expectation of the current year revenue balance based on trend analysis information, taking into account sales volume, average prices and our understanding of each market. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing; - Tested manual journals posted to revenue to identify unusual or irregular items; and - Tested calculation of sales return provision at year end to assess its compliance with Group's policy for sales return provision. Further, while assessing the sales return provision, we considered the volume of sales returns post year-end.

Independent Auditors' Report continued

To the Shareholders of Almarai Company – Joint Stock Company Riyadh, Kingdom of Saudi Arabia



Key Audit Matters continued

Change in financial reporting framework

Refer to Note: 2 for basis of preparation of consolidated financial statements relating to IFRS adoption and note: 36 for the related disclosure of effects of IFRS adoption.

Key audit matter	How the matter was addressed in our audit
<p>For all periods up to and including the year ended 31 December, 2016, the Group prepared and presented its statutory consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA.</p> <p>For the financial periods commencing 1 January, 2017, the applicable regulations require the Group to prepare and present its consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS as endorsed in Kingdom of Saudi Arabia).</p> <p>Accordingly, the Group has prepared its Consolidated Financial Statements, for the year ended 31 December 2017, under IFRS as endorsed in Kingdom of Saudi Arabia using IFRS 1 – “First time Adoption of International Financial Reporting Standards” (IFRS 1).</p> <p>As part of this transition to IFRS as endorsed in Kingdom of Saudi Arabia, the Group’s management performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia, determined the transition adjustments in light of this gap analysis and relevant requirements of IFRS 1, and assessed the additional disclosures required in the financial statements.</p> <p>We considered this as a key audit matter as the transitional adjustments due to the change in the financial reporting framework and transition related disclosures in the financial statements require additional attention during our audit.</p>	<p>We performed the following procedures in relation to change in financial reporting framework:</p> <ul style="list-style-type: none"> - Considered the Group’s governance process around the adoption of IFRS as endorsed in Kingdom of Saudi Arabia, especially, in relation to matters requiring management to exercise its judgment; - Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia which can impact the Group’s financial statements; - Evaluated the results of management’s analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in Kingdom of Saudi Arabia and our understanding of the Group’s business and its operations; - Tested the transition adjustments by considering management’s gap analysis, the underlying financial information and the computation of these adjustments; and - Evaluated the disclosures made in relation to the transition to IFRS as endorsed in Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors’ report thereon. The annual report is expected to be made available to us after the date of this auditors’ report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's By-laws and Companies regulations 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report continued

To the Shareholders of Almarai Company – Joint Stock Company Riyadh, Kingdom of Saudi Arabia



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements of Almarai – Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), taken as a whole, 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 & Partners Certified Public Accountants



Abdullah Hamad Al Fozan

License No: 348

Date: 21 January 2018

Corresponding to: 04 Jumada'l 1439H

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	7	22,401,692	21,144,593	18,642,287
Intangible Assets and Goodwill	8	1,046,607	1,040,099	1,141,277
Biological Assets	9	1,283,342	1,271,425	1,186,506
Investments in Associates and Joint Ventures	10	129,429	96,612	94,177
Available for Sale Investments	10	90,711	102,872	104,237
Prepayments	12	74,558	132,867	72,426
Deferred Tax Assets	21	39,926	13,875	1,156
Derivative Financial Instruments	34	16,808	10,257	11,089
		25,083,073	23,812,600	21,253,155
Current Assets				
Inventories	11	3,121,903	3,002,331	2,688,641
Biological Assets	9	87,321	96,442	116,379
Trade Receivables, Prepayments and Other Receivables	12	1,702,375	1,548,684	1,346,391
Derivative Financial Instruments	34	9,480	4,680	3,438
Cash and Bank Balances	13	1,891,697	729,700	2,038,776
		6,812,776	5,381,837	6,193,625
TOTAL ASSETS		31,895,849	29,194,437	27,446,780
EQUITY				
Share Capital	14	10,000,000	8,000,000	6,000,000
Statutory Reserve		1,848,418	1,630,190	1,422,141
Treasury Shares	15	(453,156)	(378,994)	(330,699)
Other Reserves	16	(609,135)	(711,996)	(392,636)
Retained Earnings		1,998,246	2,818,019	3,626,687
Equity Attributable to Shareholders		12,784,373	11,357,219	10,325,493
Perpetual Sukuk	17	1,700,000	1,700,000	1,700,000
Equity Attributable to Equity Holders of the Company		14,484,373	13,057,219	12,025,493
Non-Controlling Interest	18	396,867	421,250	559,783
TOTAL EQUITY		14,881,240	13,478,469	12,585,276
Non-Current Liabilities				
Loans and Borrowings	19	10,543,125	10,128,343	9,334,727
Employee Benefits	20	621,536	573,979	527,200
Derivative Financial Instruments	34	30,779	41,212	63,427
Deferred Tax Liabilities	21	48,060	56,492	67,123
		11,243,500	10,800,026	9,992,477
Current Liabilities				
Bank Overdrafts	31	255,585	165,620	217,647
Loans and Borrowings	19	2,003,403	1,318,796	1,821,410
Zakat and Income Tax Payable	22	272,906	214,902	146,190
Trade and Other Payables	23	3,227,490	3,114,524	2,646,354
Derivative Financial Instruments	34	11,725	102,100	37,426
		5,771,109	4,915,942	4,869,027
TOTAL LIABILITIES		17,014,609	15,715,968	14,861,504
TOTAL EQUITY AND LIABILITIES		31,895,849	29,194,437	27,446,780

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 A.H (21 January 2018) and signed on their behalf by:

Paul-Louis Gay
Chief Financial Officer

Georges P. Schorderet
Chief Executive Officer

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
Revenue	30	13,935,532	14,338,579
Cost of Sales	24	(8,351,893)	(8,816,092)
Gross Profit		5,583,639	5,522,487
Selling and Distribution Expenses	25	(2,391,879)	(2,480,361)
General and Administration Expenses	26	(397,339)	(432,949)
Other Expenses, net	27	(211,071)	(91,398)
Operating Profit		2,583,350	2,517,779
Exchange Gain, net		7,094	44,676
Finance Cost, net	28	(401,254)	(351,336)
Share of Results of Associates and Joint Ventures	10	13,018	13,323
Profit before Zakat and Income Tax		2,202,208	2,224,442
Zakat and Foreign Income Tax	22	(42,245)	(74,345)
Profit for the year		2,159,963	2,150,097
Profit/(Loss) for the year attributable to:			
Shareholders of the Company		2,182,286	2,147,786
Non-Controlling Interest		(22,323)	2,311
		2,159,963	2,150,097
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company			
- Basic	29	2.13	2.10
- Diluted	29	2.11	2.08

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 A.H (21 January 2018) and signed on their behalf by:

Paul-Louis Gay
Chief Financial Officer

Georges P. Schorderet
Chief Executive Officer

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
Profit for the year		2,159,963	2,150,097
Items that will not be reclassified to profit or loss:			
Actuarial Gain/(Loss) on End of Service Benefit	20	10,151	(12,723)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign Currency Translation Differences		(21,391)	(514,707)
Movement in Fair Value on Cash Flow Hedges		128,475	(62,378)
Settlement of Cash Flow Hedges transferred to Profit or Loss		(16,318)	20,330
Movement in Fair Value of Available for Sale Investments	10	(12,161)	(1,365)
Share of Other Comprehensive Loss of Associates	10	(5,201)	(10,388)
Other Comprehensive Income/(Loss) for the year, net of Income Tax		83,555	(581,231)
Total Comprehensive Income for the year		2,243,518	1,568,866
Total Comprehensive Income/(Loss) for the year attributable to:			
Shareholders of the Company		2,256,849	1,794,263
Non-Controlling Interest		(13,331)	(225,397)
		2,243,518	1,568,866

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 A.H (21 January 2018) and signed on their behalf by:

Paul-Louis Gay
Chief Financial Officer

Georges P. Schorderet
Chief Executive Officer

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital SAR '000	Statutory Reserve SAR '000	Treasury Shares SAR '000	Other Reserves SAR '000	Retained Earnings SAR '000	Equity Attributable to Shareholders SAR '000	Perpetual Sukuk SAR '000	Equity Attributable to Equity Holders SAR '000	Non-Controlling Interest SAR '000	Total Equity SAR '000
Balance at 1 January 2016	6,000,000	1,422,141	(330,699)	(392,636)	3,626,687	10,325,493	1,700,000	12,025,493	559,783	12,585,276
Profit for the year	-	-	-	-	2,147,786	2,147,786	-	2,147,786	2,311	2,150,097
Other Comprehensive Loss for the year	-	-	-	(340,800)	(12,723)	(353,523)	-	(353,523)	(227,708)	(581,231)
Total Comprehensive Income/(Loss)	-	-	-	(340,800)	2,135,063	1,794,263	-	1,794,263	(225,397)	1,568,866
Dividend Declared SAR 1.15 per Share	-	-	-	-	(690,000)	(690,000)	-	(690,000)	-	(690,000)
Bonus Shares Issued 1 for 3 shares	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer during the year	-	208,049	-	-	(208,049)	-	-	-	-	-
Share Based Payment Transactions	-	-	-	35,079	-	35,079	-	35,079	-	35,079
Settlement of Treasury Shares	-	-	27,119	(19,712)	19,712	27,119	-	27,119	-	27,119
Purchase of Treasury shares	-	-	(75,414)	-	-	(75,414)	-	(75,414)	-	(75,414)
Profit on Perpetual Sukuk SAR 38,467 per Sukuk	-	-	-	65,394	(65,394)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(59,321)	-	(59,321)	-	(59,321)	-	(59,321)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	86,864	86,864
Balance at 31 December 2016	8,000,000	1,630,190	(378,994)	(711,996)	2,818,019	11,357,219	1,700,000	13,057,219	421,250	13,478,469
Balance at 1 January 2017	8,000,000	1,630,190	(378,994)	(711,996)	2,818,019	11,357,219	1,700,000	13,057,219	421,250	13,478,469
Profit/(Loss) for the year	-	-	-	-	2,182,286	2,182,286	-	2,182,286	(22,323)	2,159,963
Other Comprehensive Income for the year	-	-	-	64,412	10,151	74,563	-	74,563	8,992	83,555
Total Comprehensive Income/(Loss)	-	-	-	64,412	2,192,437	2,256,849	-	2,256,849	(13,331)	2,243,518
Dividend Declared SAR 0.90 per Share	-	-	-	-	(720,000)	(720,000)	-	(720,000)	-	(720,000)
Bonus Shares Issued 1 for 4 shares	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer during the year	-	218,228	-	-	(218,228)	-	-	-	-	-
Share Based Payment Transactions	-	-	-	39,394	-	39,394	-	39,394	-	39,394
Settlement of Treasury Shares	-	-	1,371	-	-	1,371	-	1,371	-	1,371
Purchase of Treasury shares	-	-	(75,533)	-	-	(75,533)	-	(75,533)	-	(75,533)
Profit on Perpetual Sukuk SAR 41,848 per Sukuk	-	-	-	71,142	(71,142)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(72,087)	-	(72,087)	-	(72,087)	-	(72,087)
Directors Remuneration	-	-	-	-	(2,840)	(2,840)	-	(2,840)	-	(2,840)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	(11,052)	(11,052)
Balance at 31 December 2017	10,000,000	1,848,418	(453,156)	(609,135)	1,998,246	12,784,373	1,700,000	14,484,373	396,867	14,881,240

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 A.H (21 January 2018) and signed on their behalf by:

Paul-Louis Gay
Chief Financial Officer

Georges P. Schorderet
Chief Executive Officer

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,159,963	2,150,097
Adjustments for:			
Depreciation of Property, Plant and Equipment	7	1,573,671	1,442,341
Amortisation of Intangible Assets	8	50,017	32,479
Depreciation of Biological Assets	9	295,927	342,041
(Gain)/Loss Arising from Changes in Fair Value less Cost to Sell of Crops	9	(977)	15,248
Provision for Employee Benefits	20	128,262	115,358
Share Based Payment Expense		39,394	35,079
Exchange Gain, net		(7,094)	(44,676)
Finance Cost, net	28	401,254	351,336
Other Expenses, net	27	212,181	91,398
Share of Results of Associates and Joint Ventures	10	(13,018)	(13,323)
Zakat and Foreign Income Tax	22	42,245	74,345
		4,881,825	4,591,723
Changes in:			
Inventories		1,083,062	844,604
Biological Assets		(1,197,326)	(1,231,787)
Trade Receivables, Prepayments and Other Receivables		(106,170)	(164,572)
Trade and Other Payables		35,566	524,039
Cash Used in Operating Activities		(184,868)	(27,716)
Employee Benefits Paid	20	(70,888)	(81,302)
Zakat and Foreign Income Tax Paid	22	(11,922)	(10,161)
Net Cash Generated from Operating Activities		4,614,147	4,472,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Associates	10	(25,000)	-
Dividend received from Associates	10	-	500
Dividend on Available For Sale Investment	27	1,110	-
Additions to Property, Plant and Equipment	7	(2,797,282)	(4,514,597)
Proceeds from the Disposal of Property, Plant and Equipment		30,790	133,971
Additions to Intangible Assets	8	(52,927)	(18,153)
Additions to Biological Assets	9	(81,536)	(93,131)
Appreciation of Biological Assets		(582,895)	(618,673)
Proceeds from the Disposal of Biological Assets		197,274	200,486
Prepayments		-	(71,794)
Net Cash Used in Investing Activities		(3,310,466)	(4,981,391)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans, net		1,105,031	351,847
Finance Cost Paid		(467,977)	(360,596)
Dividend Paid		(717,905)	(687,721)
Purchase of Treasury Shares	15	(75,533)	(75,414)
Settlement of Treasury Shares		1,371	27,119
Transactions with Non Controlling Interests		(11,052)	86,864
Payment of Profit on Perpetual Sukuk		(72,087)	(59,321)
Director's Remuneration		(2,840)	-
Net Cash Used in Financing Activities		(240,992)	(717,222)
Increase/(Decrease) in Cash and Cash Equivalents		1,062,689	(1,226,069)
Cash and Cash Equivalents at 1 January		564,080	1,821,129
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		9,343	(30,980)
Cash and Cash Equivalents at 31 December	31	1,636,112	564,080

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 A.H (21 January 2018) and signed on their behalf by:

Paul-Louis Gay
Chief Financial Officer

Georges P. Schorderet
Chief Executive Officer

HH Prince Sultan bin Mohammed bin Saud Al Kabeer
Chairman

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 trading between 1977 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. It also operates in other Gulf Cooperation Council ("GCC") countries, Egypt and Jordan.

Dairy, Fruit Juices and related Food Business is operated under the "Almarai", "Beyti" and "Teeba" brand names. All raw milk production, Dairy and Fruit Juice product processing and related food product manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates ("UAE"), Egypt and Jordan.

Dairy, Fruit Juices and related Food Business in Egypt and Jordan operates through International Dairy and Juice Limited ("IDJ"), a joint venture with PepsiCo, in which the Company holds controlling interest. The Group manages IDJ operations through following key subsidiaries:

Jordan

Teeba Investment for Developed Food Processing

Egypt

International Company for Agricultural Industries Projects (Beyti) (SAE)

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Company Limited, a joint venture with Chipita in which the Company holds controlling interest, under the brand names "L'usine" and "7Days" respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the "Alyoum" brand name.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under "Nuralac" and "Evolac" brands.

In territories where the Group has operations, final consumer packed products are distributed from manufacturing facilities to local distribution centres by the Group's long haul distribution fleet. The distribution centres in Gulf Cooperation Council (GCC) countries are managed through subsidiaries (UAE, Oman and Bahrain) and Agency Agreements (Kuwait and Qatar) as follows:

UAE

Almarai Emirates Company L.L.C

Oman

Arabian Planets for Trading and Marketing L.L.C.

Bahrain

Almarai Company Bahrain S.P.C

Kuwait

Al Kharafi Brothers Dairy Products Company Limited

Qatar

Khalid for Foodstuff and Trading Company

In other territories, where permissible by law, Dairy and Juice products are exported through IDJ, other products are exported through other subsidiaries. Since 6 June 2017, the Group has suspended its operations in Qatar.

The Group owns and operates arable farms in Argentina and in United States of America, collectively referred to as "Fondomonte", through following key subsidiaries:

USA

Fondomonte Holdings North America L.L.C

Argentina

Fondomonte South America S.A

The Group's non GCC business operations under IDJ and Fondomonte are managed through Almarai Investment Holding Company W.L.L., a Company incorporated in the Kingdom of Bahrain.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

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

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company	SAR
Almarai Agricultural And Livestock Production Company	Saudi Arabia	Livestock/Agricultural Company	SAR
Almarai Construction Company	Saudi Arabia	Construction Company	SAR
Almarai for Maintenance and Operation Company	Saudi Arabia	Maintenance and Operation	SAR
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR
Hail Agricultural Development Company	Saudi Arabia	Poultry/Agricultural Company	SAR
Hail Agricultural And Livestock Production Company	Saudi Arabia	Poultry/Agricultural Company	SAR
International Baking Services Company Limited	Saudi Arabia	Dormant	SAR
International Pediatric Nutrition Company	Saudi Arabia	Dormant	SAR
Modern Food Industries Company Limited	Saudi Arabia	Bakery Company	SAR
Nourlac Company Limited	Saudi Arabia	Trading Company	SAR
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR
Agro Terra S.A.	Argentina	Dormant	ARS
Fondomonte South America S.A.	Argentina	Agricultural Company	ARS
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company	BHD
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD
International Dairy and Juice Limited	British Virgin Islands	Holding Company	USD
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	EGP
Markley Holdings Limited	Jersey	Dormant	GBP
Al Muthedoon for Dairy Production	Jordan	Dormant	JOD
Al Atheer Agricultural Company	Jordan	Livestock/Agricultural Company	JOD
Al Namouthjya for Plastic Production	Jordan	Dormant	JOD
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company	OMR
Alyoum for Food Products Company L.L.C.	Oman	Dormant	OMR
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR
Hail Development Company Limited	Sudan	Agricultural Company	SDG
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company	AED
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	USD
Fondomonte Holding North America L.L.C.	United States of America	Holding Company	USD
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company	USD
Fondomonte California L.L.C.	United States of America	Agricultural Company	USD
Hayday Farm Operation L.L.C.	United States of America	Agricultural Company	USD

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

Ownership Interest				Share Capital	Number of Shares Issued	Conventional Investment SAR '000	Conventional Borrowing SAR '000	Interest Income SAR '000
2017		2016						
Direct (a)	Effective	Direct (a)	Effective					
100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
100%	100%	100%	100%	SAR 200,000,000	20,000,000	-	198,460	-
100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
52%	52%	52%	52%	SAR 25,000,000	250	-	-	-
100%	100%	100%	100%	SAR 300,000,000	30,000,000	-	946,274	-
100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
100%	100%	100%	100%	SAR 500,000	500	-	-	-
100%	100%	100%	100%	SAR 41,000,000	410,000	-	-	-
60%	60%	60%	60%	SAR 70,000,000	70,000	-	35,751	-
100%	100%	100%	100%	SAR 3,000,000	3,000	-	-	-
100%	100%	100%	100%	SAR 200,000,000	200,000	-	215,511	-
100%	100%	100%	100%	ARS 475,875	475,875	-	-	-
100%	100%	100%	100%	ARS 1,286,096,598	1,286,096,598	-	78,157	-
100%	100%	100%	100%	BHD 100,000	2,000	-	-	-
99%	99%	99%	99%	BHD 250,000	2,500	-	-	-
100%	52%	100%	52%	BHD 250,000	2,500	-	-	-
52%	52%	52%	52%	USD 7,583,334	7,583,334	-	56,253	-
100%	52%	100%	52%	EGP 1,101,750,000	110,175,000	-	-	-
100%	52%	100%	52%	EGP 1,717,250,000	171,725,000	-	378,577	-
100%	100%	100%	100%	-	-	-	-	-
100%	52%	100%	52%	JOD 500,000	500,000	-	-	-
100%	52%	100%	52%	JOD 750,000	750,000	-	-	-
100%	52%	100%	52%	JOD 250,000	250,000	-	-	-
100%	52%	100%	52%	JOD 500,000	500,000	-	-	-
100%	52%	100%	52%	JOD 49,675,352	49,675,352	-	92,179	-
90%	90%	90%	90%	OMR 150,000	150,000	-	150,134	-
100%	100%	100%	100%	OMR 20,000	20,000	-	-	-
100%	100%	100%	100%	EUR 118,515,547	118,515,547	-	-	-
100%	100%	100%	100%	SDG 100,000	100	-	-	-
100%	100%	100%	100%	AED 300,000 (Unpaid)	300	-	-	-
100%	52%	100%	52%	USD 22,042,183	22,042,183	-	-	-
100%	100%	100%	100%	USD 500,000	50,000	-	112,698	-
100%	100%	100%	100%	USD 500,000	50,000	-	-	-
100%	100%	100%	100%	-	-	-	-	-
100%	100%	Nil	Nil	-	-	-	-	-

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

2. Basis of Preparation

2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in KSA"). Up to and including the year ended 31 December 2016, the Group prepared and presented its statutory Consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the Financial Statements. In these Consolidated Financial Statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of International Financial Reporting Standards ("IFRS").

For financial periods commencing 1 January 2017, the applicable regulations require the Group to prepare and present Financial Statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Group has prepared these Consolidated Financial Statements.

As required by the Capital Market Authority ("CMA") through its circular dated 16 October 2016 the Group needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

These Consolidated Financial Statements are prepared in accordance with IFRS 1 First time Adoption of International Financial Reporting Standards. The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS has affected the previously reported equity as at 31 December 2016 and 1 January 2016, and comprehensive income of the Group for the year ended 31 December 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's Financial Statements for the year ended 31 December 2016 is provided in Note 36.

These Consolidated Financial Statements should be read in conjunction with the Group's annual Consolidated SOCPA Financial Statements for the year ended 31 December 2016, and the Group's Condensed Consolidated Interim Financial Statements for the quarters ended 31 March 2017, 30 June 2017 and 30 September 2017 prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

2.2 Preparation of The Financial Statements

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value.
- Available-for-sale investment is measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, for which market is available, have been valued at fair value.

3. Basis of Consolidation

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements of the Group 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". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control

commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition and fair value of Non – Controlling Interest (“NCI”) over the fair value of the identifiable net assets acquired is recorded as goodwill in Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. The portion of profit or loss and net assets not controlled by the Group is presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. Functional and Presentation Currency

These Consolidated Financial Statements are presented in Saudi Riyal (“SAR”), which is the Company’s functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Significant Accounting Policies

A. New Standards, Amendments and Standards issued and not yet effective

New Standards, Amendment to Standards and Interpretations

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2017.

a. Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Group’s financing activities, as disclosed in Consolidated Statement of Cash Flows, represents only cash flow changes, except for finance cost for which non cash change is reflected in cash flow from operating activities.

b. Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

Group does not hold any debt instruments measured at fair value, therefore, there is no impact of this amendment on Consolidated Financial Statements.

c. Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)

The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. There is no impact of this amendment on these Consolidated Financial Statements.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. As of this yearend, the Group is in the process of completing its evaluation of impact of IFRS 15 on its revenue recognition policy. As per its initial assessment, there is not going to be a significant impact on Group’s revenue recognition policy.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

5. Significant Accounting Policies continued

A. New Standards, Amendments and Standards issued and not yet effective continued

b. IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 requires that derivatives embedded in the contracts should not be separated from the host contract which is a financial asset instead the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial Assets and Contract Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date, and
- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component, an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI
- the remaining amount of change in the fair value is presented in profit or loss.

Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary

discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognised.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. As of this yearend, the Group is in the process of completing its evaluation of impact of expected credit loss model on impairment of its financial assets. As per its initial assessment, the impact of this change is expected to be in the range of SAR 10.0 million to SAR 15.0 million.

Further Group's Investment that are currently classified as Available for Sale will satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence they will be no change in the accounting of this assets.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.
- New hedge accounting requirements should generally be applied prospectively. However the Group may elect to apply the expected change in accounting for forward points retrospectively.

c. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

5. Significant Accounting Policies continued

A. New Standards, Amendments and Standards issued and not yet effective continued

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

d. Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 First-time Adoption of IFRS – Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018.
- IAS 28 Investments in Associates and Joint Ventures – A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018, early application is permitted.

e. Other Amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Group's Consolidated Financial Statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amendments respond to industry concerns about the impact of differing effective dates.
- Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – clarifies the transaction date used to determine the exchange rate.

B. Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Group's cash management and are likely to fluctuate from overdrawn to positive balances.

C. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the 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 slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Agriculture produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

D. Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

E. Property, Plant and Equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Bearer plants are measured at cost less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition/growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Finance costs on borrowings to finance the construction of the qualifying assets are capitalised during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

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 – 10 years
Bearer Plants	2 – 70 years

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

5. Significant Accounting Policies continued

E. Property, Plant and Equipment continued

Land, Capital Work in Progress and Immature plants 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.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

F. Biological Assets

Biological assets are measured at fair value less cost to sell except when fair value cannot be measured reliably.

Where fair value cannot be measured reliably biological assets are stated at cost of purchase or cost of rearing or growing to the point of commercial production (termed as biological assets appreciation), less accumulated depreciation and accumulated impairment loss, if any. 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. Biological assets are depreciated on a straight line basis to their estimated residual values over periods as summarised below:

Dairy Herd	4 Lactation cycles
Poultry Flock – After Maturity	36 weeks

G. Intangible Assets and Goodwill

Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 4 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

H. Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

I. Zakat and Foreign Income Tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") 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.

J. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

K. Financial Instruments

(a) Non-Derivative Financial Instruments

i) Non-Derivative Financial Assets

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

5. Significant Accounting Policies continued

K. Financial Instruments continued

The Group has the following non-derivative financial assets;

Loans and Receivables

Loans and receivables of the Group comprise trade and other receivables and loan to associates.

These are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available for Sale Financial Assets

Investments classified as available-for-sale are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in Consolidated Statement of Other Comprehensive Income and accumulated in the fair value reserve shown under other reserves within equity. When these assets are derecognised, the gain or loss accumulated in reserve is reclassified to Consolidated Statement of Profit or Loss.

ii) Non-Derivative Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the group comprises of bank borrowings and trade and other payables.

(b) Derivative Financial Instruments and Hedge Accounting

Derivatives are measured at fair value; any related transaction costs are recognised in Consolidated Statement of Profit or Loss as incurred. Subsequent to initial recognition, any change in fair value is generally recognised in Consolidated Statement of Profit or Loss.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity.

The amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss.

L. Impairment

(a) Non-Derivative Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

i) Loans and Receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by companying together with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in Consolidated Statement of Profit or Loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Available for Sale Financial Assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to Consolidated Statement of Profit or Loss. The amount reclassified is the difference between the acquisition cost (net of any principle repayment and amortisation and the current fair value), less any impairment loss previously recognised in Consolidated Statement of Profit or Loss. If the fair value of the impaired available for sale financial asset subsequently increases and increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise it is reversed through other comprehensive income.

iii) Investments in Associates and Joint Ventures

An impairment loss in respect of investment in associates and joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in Consolidated Statement of Profit or Loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(b) Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

5. Significant Accounting Policies continued

L. Impairment continued

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

M. Employee Benefits

Employee benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in Consolidated Statement of Other Comprehensive Income. The Group determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in Consolidated Statement of Profit or Loss.

N. Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its Net Income for the year. As per its by-laws the Company will cease the contribution when such reserve will reach 30% of its Share Capital.

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 recognised in equity.

P. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Stock Option Programme (“ESOP”), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium.

Q. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of equity settled share based payments under the ESOP, whereby employees render services as consideration for the option to purchase fixed number of Company’s shares (“Option”) at a predetermined price.

The cost of ESOP is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the service conditions are fulfilled.

Group has set up an economic hedge by purchasing Treasury Shares at inception of ESOP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the ESOP, whether or not the Options vest to the employees.

The cumulative expense recognised for ESOP 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 Options that will ultimately vest.

When the terms of ESOP 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 ESOP is terminated, it is treated as if the Options 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 ESOP is substituted for the terminated ESOP, and designated as a replacement award on the date that it is granted, the terminated and new ESOPs are treated as if they were a modification of the original ESOP, 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 reporting date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the Consolidated Statement of Profit or Loss as appropriate.

The functional currencies of foreign subsidiaries are listed in Note 1. As at the reporting date, the assets and liabilities of these subsidiaries are translated into Saudi Riyal (SAR) the functional and presentation currency of the Company, at the rate of exchange ruling at the Consolidated Statement of Financial Position date and their Consolidated Statement of Profit or Loss are translated at the weighted average exchange rates for the period. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded as a separate component of equity.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

5. Significant Accounting Policies continued

S. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. Products are sold principally on a sale or return basis.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

Allowances for sales returns are calculated based on the forecasted return of expired products.

T. Government Grants

Government Grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant.

Government Grants are recognized in Consolidated Statement of Profit or Loss on a systematic basis over the periods in which the Group recognizes as expenses the related inventories which the grants are 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. 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, other than those related to volume based rebates, made in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

V. Leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Consolidated Statement of Financial Position. Rentals in respect of operating leases are charged to the Consolidated Statement of Profit or Loss over the term of the leases.

W. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Further no borrowing cost is capitalised during the idle period.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and released to Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Consolidated Statement of Profit or Loss in the period in which they are incurred.

X. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers which in Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6. Use of Judgements and Estimates

The preparation of Financial Statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of judgements, 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 Consolidated Statement of Financial Position 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

6.1 Judgements

Information about judgement made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements is included in the following note;

- Refer to Note 9: Biological Assets not fair valued – the Group has assessed that quoted market prices are not available for the biological assets owned by the Group, except for crops and alternative fair value measurements are clearly unreliable.

6.2 Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments to the carrying amount of assets and liabilities within the year ending 31 December 2018 is included in following notes;

- Refer to Note 8: Goodwill – Annual impairment testing of goodwill.
- Refer to Note 12: Trade Receivables – Allowance for impairment of trade receivables.
- Refer to Note 20: Measurement of employee benefits obligations – key actuarial assumptions.
- Refer to Note 21: Deferred taxation –whether future taxable profits will be available against which deferred tax asset can be realised.
- Refer to Note 11: Inventories – Allowance for slow moving inventories.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

7. Property, Plant and Equipment

	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in-Progress SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	Total SAR '000
Cost							
At 1 January 2017	10,131,683	11,297,763	2,547,348	5,167,775	101,072	67,690	29,313,331
Additions during the year	-	-	-	2,855,388	1,370	68,658	2,925,416
Transfers during the year	1,884,556	1,738,248	145,378	(3,768,182)	84,780	(84,780)	-
Disposals during the year	(37,175)	(162,938)	(89,688)	-	(10,257)	-	(300,058)
Reclassification	27,645	(25,081)	(2,564)	-	-	-	-
Currency Translation Difference	(14,935)	(16,859)	(340)	7,334	(1,035)	(5)	(25,840)
At 31 December 2017	11,991,774	12,831,133	2,600,134	4,262,315	175,930	51,563	31,912,849
Accumulated Depreciation and Impairment							
At 1 January 2017	1,669,108	5,270,102	1,176,362	-	53,166	-	8,168,738
Depreciation for the year	329,002	917,429	255,704	-	71,536	-	1,573,671
Disposals during the year	(21,859)	(150,356)	(72,353)	-	(10,257)	-	(254,825)
Reclassification	619	(167)	(452)	-	-	-	-
Impairment of Assets (Ref 7.2)	28,158	9,053	-	-	-	-	37,211
Currency Translation Difference	(6,594)	(5,476)	(1,188)	-	(380)	-	(13,638)
At 31 December 2017	1,998,434	6,040,585	1,358,073	-	114,065	-	9,511,157
Net Book Value							
At 31 December 2017	9,993,340	6,790,548	1,242,061	4,262,315	61,865	51,563	22,401,692
Cost							
At 1 January 2016	9,266,711	10,299,320	2,401,456	3,924,912	49,464	37,368	25,979,231
Additions during the year	-	-	-	4,486,600	-	81,930	4,568,530
Transfers during the year	1,126,955	1,665,832	345,933	(3,138,720)	51,608	(51,608)	-
Disposals during the year	(142,449)	(139,959)	(152,699)	-	-	-	(435,107)
Impairment of Assets (Ref 7.3)	-	(301,686)	-	-	-	-	(301,686)
Currency Translation Difference	(119,534)	(225,744)	(47,342)	(105,017)	-	-	(497,637)
At 31 December 2016	10,131,683	11,297,763	2,547,348	5,167,775	101,072	67,690	29,313,331
Accumulated Depreciation							
At 1 January 2016	1,436,371	4,828,200	1,063,956	-	8,417	-	7,336,944
Depreciation for the year	276,514	868,107	252,971	-	44,749	-	1,442,341
Disposals during the year	(32,150)	(126,226)	(126,862)	-	-	-	(285,238)
Impairment of Assets (Ref 7.3)	-	(196,889)	-	-	-	-	(196,889)
Currency Translation Difference	(11,627)	(103,090)	(13,703)	-	-	-	(128,420)
At 31 December 2016	1,669,108	5,270,102	1,176,362	-	53,166	-	8,168,738
Net Book Value							
At 31 December 2016	8,462,575	6,027,661	1,370,986	5,167,775	47,906	67,690	21,144,593
At 1 January 2016	7,830,340	5,471,120	1,337,500	3,924,912	41,047	37,368	18,642,287

7.1 Capital Work-in-Progress includes SAR 73.8 million of borrowing costs capitalised during the year. (31 December 2016: SAR 53.9 million; 1 January 2016: SAR 35.9 million)

7.2 During the year, based on change in Group's operational plan for Teeba and regional situation in GCC, assets with the net book value of SAR 30.6 million and SAR 6.6 million in Teeba and Qatar respectively are assessed as impaired. (Refer note 27)

7.3 Subsequent to fire incident at Jeddah, the Group has identified additional assets that are impaired. Total net book value of these assets is SAR 104.8 million. (Refer note 27)

8. Intangible assets and goodwill

	31 December 2017 SR '000	31 December 2016 SR '000	1 January 2016 SR '000
Software Licenses (Refer 8.1)	111,719	109,374	132,200
Goodwill (Refer 8.2)	934,888	930,725	1,009,077
	1,046,607	1,040,099	1,141,277

8.1 Software Licenses

	Software Licenses SAR '000	Software Licenses in Progress* SAR '000	Total SAR '000
Cost			
At 1 January 2017	170,020	34,753	204,773
Additions during the year	-	52,927	52,927
Transfers during the year	58,400	(58,400)	-
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	301	(570)	(269)
At 31 December 2017	197,791	28,710	226,501
Accumulated Amortisation			
At 1 January 2017	95,399	-	95,399
Amortisation for the year	50,017	-	50,017
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	296	-	296
At 31 December 2017	114,782	-	114,782
Net Book Value			
At 31 December 2017	83,009	28,710	111,719
At 31 December 2016			
	Software Licenses SAR '000	Software Licenses in Progress* SAR '000	Total SAR '000
Cost			
At 1 January 2016	117,116	81,864	198,980
Additions during the year	-	18,153	18,153
Transfers during the year	65,264	(65,264)	-
Disposals during the year	(8,106)	-	(8,106)
Currency Translation Difference	(4,254)	-	(4,254)
At 31 December 2016	170,020	34,753	204,773
Accumulated Amortisation			
At 1 January 2016	66,780	-	66,780
Amortisation for the year	32,479	-	32,479
Disposals during the year	(4,230)	-	(4,230)
Currency Translation Difference	370	-	370
At 31 December 2016	95,399	-	95,399
Net Book Value			
At 31 December 2016	74,621	34,753	109,374
At 1 January 2016	50,336	81,864	132,200

* Software licenses in progress include certain softwares under installation.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

8. Intangible assets and goodwill continued

8.2 Goodwill

The goodwill relates to the acquisition of WB in 2007, HADCO in 2009 and IDJ in 2012.

	31 December 2017 SR '000	31 December 2016 SR '000	1 January 2016 SR '000
Western Bakeries Company Limited (WB)	548,636	548,636	548,636
Hail Agricultural Development Company (HADCO)	244,832	244,832	244,832
International Dairy and Juice Limited (IDJ)	141,420	137,257	215,609
	934,888	930,725	1,009,077

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 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 7.0% and 22.0% as relevant 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.

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 are 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 used to extrapolate cash flows beyond the budget period of 5 years, as well as the factors used in computing Terminal Value. Terminal value is calculated using earnings multiple/Gordon Growth Model 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 including goodwill 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 9.1%. If all other assumptions kept the same, a reduction of this growth rate to 167.0% 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 38.4% of sales. If all other assumptions kept the same, an increase in the rate to an average of 163.6% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 14.6. If all other assumptions kept the same, a reduction of this multiple to 1.9 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 including goodwill 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 15.9%. If all other assumptions kept the same, a reduction of this growth rate to 1.6% 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 32.1% of sales. If all other assumptions kept the same, an increase in the rate to an average of 115.7% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 12.4. If all other assumptions kept the same, a reduction of this multiple to 5.9 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 including goodwill 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 8.2%. If all other assumptions kept the same, a reduction of this growth rate to 1.5% 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 58.1% of sales. If all other assumptions kept the same, an increase in the rate to an average of 97.4% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 11.0. If all other assumptions kept the same, a reduction of this multiple to 2.7 would give a value in use equal to the current carrying amount.

9. Biological assets

The Group's biological assets consist of dairy herd, poultry birds and plantations.

Biological assets owned by the Group are measured as follows:

- Dairy Herd and Poultry Flock: At cost less accumulated depreciation and impairment losses, if any, since quoted market prices for the assets are not available and any alternative fair value measurements are assessed to be clearly unreliable.
- Crops: At fair value based on adjusted market prices of standing crops according to the growth stage of the crops.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

9. Biological assets continued

	Dairy Herd SAR '000	Parent Poultry Birds SAR '000	Other Poultry SAR '000	Crops SAR '000	Total SAR '000
Cost					
At 1 January 2017	1,726,766	82,494	55,598	-	1,864,858
Additions during the year*	582,992	81,439	974,063	-	1,638,494
Transfers during the year	-	-	(979,929)	-	(979,929)
Disposals during the year	(554,476)	(80,399)	-	-	(634,875)
Currency Translation Difference	(14)	-	-	-	(14)
At 31 December 2017	1,755,268	83,534	49,732	-	1,888,534
Accumulated Depreciation					
At 1 January 2017	510,903	26,932	-	-	537,835
Depreciation for the year	216,724	79,203	-	-	295,927
Disposals during the year	(200,986)	(77,316)	-	-	(278,302)
At 31 December 2017	526,641	28,819	-	-	555,460
Net Book Value					
At 31 December 2017	1,228,627	54,715	49,732	-	1,333,074
Measured at Fair Value					
At 1 January 2017	-	-	-	40,844	40,844
Additions during the year	-	-	-	223,262	223,262
Transfers during the year	-	-	-	(221,448)	(221,448)
Disposals during the year	-	-	-	(1,228)	(1,228)
Gain arising from changes in Fair Values less Cost to Sell	-	-	-	977	977
Currency Translation Difference	-	-	-	(4,818)	(4,818)
At 31 December 2017	-	-	-	37,589	37,589
Carrying Amount					
At 31 December 2017	-	-	-	37,589	37,589
Biological Assets Classification:					
At 31 December 2017					
Biological assets classified as Non-Current Assets	1,228,627	54,715	-	-	1,283,342
Biological assets classified as Current Assets	-	-	49,732	37,589	87,321
	1,228,627	54,715	49,732	37,589	1,370,663

* Additions include Biological Assets appreciation amounting to SAR 582.9 million.

	Dairy Herd SAR '000	Parent Poultry Birds SAR '000	Other Poultry SAR '000	Crops SAR '000	Total SAR '000
Cost					
At 1 January 2016	1,536,593	102,347	62,543	–	1,701,483
Additions during the year*	618,673	93,131	963,050	–	1,674,854
Transfers during the year	–	–	(969,995)	–	(969,995)
Disposals during the year	(428,464)	(112,984)	–	–	(541,448)
Currency Translation Difference	(36)	–	–	–	(36)
At 31 December 2016	1,726,766	82,494	55,598	–	1,864,858
Accumulated Depreciation					
At 1 January 2016	411,228	41,206	–	–	452,434
Depreciation for the year	252,918	89,123	–	–	342,041
Disposals during the year	(153,232)	(103,397)	–	–	(256,629)
Currency Translation Difference	(11)	–	–	–	(11)
At 31 December 2016	510,903	26,932	–	–	537,835
Net Book Value					
At 31 December 2016	1,215,863	55,562	55,598	–	1,327,023
At 1 January 2016	1,125,365	61,141	62,543	–	1,249,049
Measured at Fair Value					
At 1 January 2016	–	–	–	53,836	53,836
Additions during the year	–	–	–	268,737	268,737
Transfers during the year	–	–	–	(266,481)	(266,481)
Loss arising from changes in Fair Values less Cost to Sell	–	–	–	(15,248)	(15,248)
At 31 December 2016	–	–	–	40,844	40,844
Carrying Amount					
At 31 December 2016	–	–	–	40,844	40,844
At 1 January 2016	–	–	–	53,836	53,836
Biological Assets Classification:					
At 31 December 2016					
Biological assets classified as Non-Current Assets	1,215,863	55,562	–	–	1,271,425
Biological assets classified as Current Assets	–	–	55,598	40,844	96,442
	1,215,863	55,562	55,598	40,844	1,367,867
At 1 January 2016					
Biological assets classified as Non-Current Assets	1,125,365	61,141	–	–	1,186,506
Biological assets classified as Current Assets	–	–	62,543	53,836	116,379
	1,125,365	61,141	62,543	53,836	1,302,885

* Additions include Biological Assets appreciation amounting to SAR 618.7 million.

Dairy Herd represents cows held for milk production.

Parent Poultry Birds are held for the purpose of laying eggs which are hatched into Broiler Birds (Other Poultry). Crops are mainly held for the purpose of serving as animal feed which are consumed internally.

Agricultural Risk Management

The Group is subject to following risks relating to its agricultural activities:

a) Regulatory and Environmental Risk

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

b) Climate and Other Risks

The Group is exposed to risk of loss from climate changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art farms to provide a barrier against diseases.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

10. Investments

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

Principal activity	Place of Incorporation	31 December 2017 %	31 December 2016 %	1 January 2016 %	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000	
Investments in Associates and Joint Ventures (Refer note 10.1)								
United Farmers Holding Company	Investments in Agricultural sector	Saudi Arabia	33.0%	33.0%	33.0%	63,588	58,296	58,504
Pure Breed Company	Poultry	Saudi Arabia	41.9%	24.7%	24.7%	65,637	38,112	35,469
Almarai Company W.L.L.	Dormant	Qatar	50.0%	50.0%	50.0%	204	204	204
						129,429	96,612	94,177
Available for Sale Investments (Refer note 10.3)								
Mobile Telecommunications Company Saudi Arabia – ("Zain")			2.1%	2.1%	2.1%	90,711	102,872	104,237
						90,711	102,872	104,237
Total						220,140	199,484	198,414

10.1 The investments in associates and joint ventures comprise the following

	31 December 2017 SAR '000	31 December 2016 SAR '000
United Farmers Holding Company		
Opening balance	58,296	58,504
Share of Other Comprehensive Loss	(5,201)	(10,388)
Share of Results for the year	10,493	10,180
Closing balance	63,588	58,296
Pure Breed Company		
Opening balance	38,112	35,469
Additions (Refer note 10.2)	25,000	-
Share of results for the year	2,525	3,143
Distributions	-	(500)
Closing balance	65,637	38,112
Almarai Company W.L.L.		
Opening balance	204	204
Closing balance	204	204

10.2 During the year, Almarai's fully owned subsidiary i.e. HADCO increased its stake in Pure Breed Company, an associate, from 24.7% to 41.9% by paying a consideration of SAR 25 million. The Group has not acquired control over the operations of Purebreed and continues to account for the interest using equity method.

10.3 The equity investment of 12.4 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 12.2 million for the year ended 31 December 2017 which is presented within other reserves in Consolidated Statement of Changes in Equity.

The Company has pledged Zain shares to Banque Saudi Fransi ("BSF") to secure the BSF loan to Zain KSA.

11. Inventories

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Raw Materials	2,419,313	2,412,682	2,162,309
Finished Goods	519,297	415,322	374,066
Spares	491,342	469,459	298,109
Work in Process	151,149	93,098	188,802
Total inventories	3,581,101	3,390,561	3,023,286
Allowance for Slow Moving Inventories (Refer note 11.1)	(459,198)	(388,230)	(334,645)
Total	3,121,903	3,002,331	2,688,641

11.1. Movement in the allowance for slow moving inventories

	31 December 2017 SAR '000	31 December 2016 SAR '000
Opening balance	388,230	334,645
Charge for the year	82,580	66,943
Written off during the year	(11,612)	(13,358)
Closing balance	459,198	388,230

11.2 Allowance for slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

12. Trade receivables, Prepayments and Other receivables

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Trade Receivables – Third Parties	949,942	827,378	739,987
– Related Parties (Refer Note 33)	182,733	112,475	96,339
	1,132,675	939,853	836,326
Less: Allowance for impairment of trade receivables (Refer note 12.2)	(76,824)	(32,340)	(37,010)
Less: Allowance for sales returns (Refer note 12.5)	(13,828)	(11,314)	(22,855)
Net Trade Receivables	1,042,023	896,199	776,461
Prepayments	293,145	342,718	313,429
Government Grants	213,208	153,278	77,989
Other Receivables	153,999	156,489	178,512
	1,702,375	1,548,684	1,346,391

	31 December 2017 SAR '000	31 December 2016 SAR '000
Ageing of Trade Receivables		
Up to 2 months	930,793	814,726
2 – 3 months	101,767	56,090
More than 3 months	100,115	69,037
	1,132,675	939,853

12.1 Movement in allowance for Impairment of Trade Receivables is as follows

	31 December 2017 SAR '000	31 December 2016 SAR '000
At the beginning of the year	32,340	37,010
Allowance made/(reversed) during the year	44,484	(4,670)
At the end of the year	76,824	32,340

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

12. Trade receivables, Prepayments and Other receivables continued

12.2 Allowance for impairment of trade receivables is calculated based on ageing profile and history.

12.3 Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

12.4 The average credit period on sales of goods is 25 days (31 December 2016: 23 days, 1 January 2016: 22 days).

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

12.6 Prepayments under Non-Current Assets represent the subsidiaries in Argentina and USA relating to operating lease agreements for agricultural land for tenure ranging from 4 to 40 years.

13. Cash and Bank balances

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Cash at Bank – Current accounts	382,964	538,202	506,381
Cash at Bank – Deposits (Refer note 13.1)	1,385,000	–	1,378,100
Cash in Hand	123,733	191,498	154,295
	1,891,697	729,700	2,038,776

13.1 The average rate on bank deposits was 1.7 % (31 December 2016: Nil, 1 January 2016: 1.4% per annum) with an average maturity of two months.

14. Share Capital

On 18 Muharram 1439 A.H. (8 October 2017), the shareholders approved at the Extraordinary General Assembly Meeting an increase in the share capital from SAR 8,000 million to SAR 10,000 million through distribution of 1 bonus share for each 4 outstanding shares to existing shareholders.

The Company's share capital at 31 December 2017 amounted to SAR 10,000 million (31 December 2016: SAR 8,000 million, 1 January 2016: SAR 6,000 million), consisting of 1,000 million (31 December 2016: 800 million, 1 January 2016: SAR 600 million) fully paid and issued shares of SAR 10 each.

15. Employee Stock Option Program (ESOP)

The Company has offered 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 performance targets set by the Company. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange (Tadawul).

Restricted Shares that 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 ESOP 2011 was granted in Dul Qadah 1432 A.H. (October 2011). The number of restricted shares shall not exceed 2,869,350 shares.

The ESOP 2013 was granted in Rajab 1434 A.H. (June 2013). The number of restricted shares shall not exceed 1,237,500 shares.

The ESOP 2015 was granted in Dul Qadah 1436 A.H. (August 2015). The number of restricted shares shall not exceed 2,283,000 shares.

The ESOP 2016 was granted in Jumada Al-Thani 1437 A.H. (April 2016). The number of Restricted Shares shall not exceed 2,933,333 shares.

The ESOP 2017 was granted in Muharram 1439 A.H. (February 2017). The number of Restricted Shares shall not exceed 4,125,000 shares.

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

	31 December 2017	31 December 2016
At the beginning of the year	4,807,000	3,062,000
Granted during the year	3,230,000	2,828,000
Settled during the year	–	(774,000)
Forfeited during the year	(311,000)	(309,000)
At the end of the year	7,726,000	4,807,000

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

	ESOP 2011	ESOP 2013	ESOP 2015	ESOP 2016	ESOP 2017
Input to the Model:					
Dividend Yield (%)	2.5%	1.5%	1.1%	2.2%	1.8%
Expected Volatility (%)	21.0%	18.0%	25.0%	33.2%	15.0%
Risk Free Interest Rate (%)	5.0%	5.0%	5.0%	5.0%	5.0%
Contractual Life of Share Options (Years)	2.4	2.8	2.5	2.8	3.0
Share Price (SAR) at Grant Date	89.5	83.3	90.5	52.5	55.6
Exercise Price (SAR) at Grant Date	88.3	64.8	73.5	45.0	46.0
Model Used		Black Scholes Merton			
Fair Value per Option	13.5	23.9	26.7	15.7	13.9
Exercise Price (SAR) after bonus element	33.8	32.5	44.2	36.0	46.0

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.

The following table shows movement during the year:

	31 December 2017 SAR '000	31 December 2016 SAR '000
TREASURY SHARES		
At the beginning of the year	378,994	330,699
Acquired during the year	75,533	75,414
Disposed of on exercise of options	(1,371)	(27,119)
At the end of the year	453,156	378,994

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

16. Other Reserves

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Hedging Reserve	16,216	128,374	86,326
Currency Translation Reserve	611,580	581,195	294,196
Others	(18,661)	2,427	12,114
	609,135	711,996	392,636

17. Perpetual Sukuk

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Perpetual Sukuk	1,700,000	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.

18. Non Controlling Interest

Summarized aggregate financial information of the Group's subsidiaries that has material non-controlling interests (Refer note 1) is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	31 December 2017 SAR '000	Intra Group Adjustments SAR '000	31 December 2017 SAR '000
Non-current assets	598,534	–	598,534
Current assets	1,353,463	–	1,353,463
Non-current liabilities	753,359	–	753,359
Current liabilities	384,036	–	384,036
Equity attributable to owners of the Company	814,602		814,602
Non-Controlling Interests	362,905	33,962	396,867
Revenue	2,267,060	–	2,267,060
Expenses	(2,304,920)	–	(2,304,920)
Net Loss for the year	(37,860)	–	(37,860)
Net Loss attributable to:			
Owners of the Company	(15,537)	–	(15,537)
Non-Controlling Interests	(22,323)	–	(22,323)
Total Comprehensive Income attributable to:			
Owners of the Company	(45,920)	–	(45,920)
Non-Controlling Interests	(13,331)	–	(13,331)
Total Comprehensive Income for the year	(59,251)	–	(59,251)

	31 December 2016 SAR '000	Intra Group Adjustments SAR '000	31 December 2016 SAR '000
Non-current assets	1,072,580	–	1,072,580
Current assets	685,682	–	685,682
Non-current liabilities	239,814	–	239,814
Current liabilities	649,923	–	649,923
Equity attributable to owners of the Company	868,525		868,525
Non-Controlling Interests	387,312	33,938	421,250
Revenue	2,623,132	–	2,623,132
Expenses	2,600,215	–	2,600,215
Net Profit for the year	22,917	–	22,917
Net Profit attributable to:			
Owners of the Company	20,606	–	20,606
Non-Controlling Interests	2,311	–	2,311
Total Comprehensive Income attributable to:			
Owners of the Company	(266,395)	–	(266,395)
Non-Controlling Interests	(225,397)	–	(225,397)
Total Comprehensive Income for the year	(491,792)	–	(491,792)

19. Loans and Borrowings

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Islamic Banking Facilities (Murabaha)	19.1	5,839,187	5,784,821	5,638,441
Saudi Industrial Development Fund	19.2	1,733,511	1,219,508	1,455,613
Banking Facilities of Non-GCC Subsidiaries	19.3	462,248	385,106	170,791
International Finance Corporation	19.4	278,190	–	–
Agricultural Development Fund	19.5	187,912	164,091	–
Banking Facilities of GCC Subsidiaries	19.6	150,134	–	–
		8,651,182	7,553,526	7,264,845
Sukuk	19.7	3,895,346	3,893,613	3,891,292
		12,546,528	11,447,139	11,156,137
		31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Short Term Borrowings		182,455	146,911	153,380
Current Portion of Long Term Borrowings		1,820,948	1,171,885	1,668,030
Loans and Borrowings – Current Liabilities		2,003,403	1,318,796	1,821,410
Loans and Borrowings – Non-Current Liabilities		10,543,125	10,128,343	9,334,727
		12,546,528	11,447,139	11,156,137

19.1 The borrowings under 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. As at 31 December 2017 SAR 6,462.9 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than five years. (31 December 2016: SAR 6,050.8 million, 1 January 2016: SAR 2,739.9 million).

19.2 The borrowings of the Group from the Saudi Industrial Development Fund (SIDF) are secured by a mortgage on specific assets equivalent to the outstanding borrowings. As at 31 December 2017 the Group had SAR 267.1 million of unutilised SIDF facilities available for drawdown with maturities predominantly greater than five years (31 December 2016: SAR 351.0 million, 1 January 2016: SAR 380.3 million). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

19.3 These banking facilities of non GCC subsidiaries represent borrowings from foreign banking institutions. As at 31 December 2017 SAR equivalent 248.3 million (31 December 2016: SAR 214.8 million, 1 January 2016: SAR 195.2 million) facilities were unutilised and available for drawdown.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

19. Loans and Borrowings continued

19.4 During the year 2017, the Group has been granted new Murabaha Facility by International Finance Corporation (IFC – Member of World Bank Group) of SAR 281.4 million committed with maturity period of more than 9 years and SAR 281.4 million uncommitted. As at 31 December 2017 the Group had no unutilised IFC facilities available.

19.5 The borrowings from Agriculture Development Fund (ADF) is secured by a mortgage on specific land equivalent to the outstanding borrowings. As at 31 December 2017 the Group had no unutilised ADF facilities available (31 December 2016: SAR 26.3 million, 1 January 2016: Nil). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by ADF.

19.6 These banking facilities of GCC subsidiaries represent new borrowings of GCC subsidiaries from banking institutions of SAR equivalent 150.1 million. As at 31 December 2017 the Group had no unutilised facilities available.

19.7 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 Saudi Arabia Interbank Offered Rate (SIBOR) plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 30 Jumada Thani 1440 A.H. (7 March 2019).

On 19 Jumada 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 will be redeemed at par on its date of maturity i.e. 7 Shabaan 1441 A.H. (31 March 2020).

On 19 Jumada 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 will be redeemed at par on its date of maturity i.e. 15 Rajab 1439 A.H. (31 March 2018).

On 3 Dhul Hijja 1436 A.H. (16 September 2015), the Company issued its third Sukuk amounting to SAR 1,600.0 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 will be redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022).

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.

19.8 The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by management to ensure compliance.

20. Employee Benefits

	31 December 2017 SAR '000	31 December 2016 SAR '000
Opening Balance	573,979	527,200
Consolidated Statement of Profit or Loss		
Current Service and Interest Cost	128,596	115,358
Consolidated Statement of Comprehensive Income		
Actuarial (Gain)/Loss	(10,151)	12,723
Cash Movements:		
Benefits paid	(70,888)	(81,302)
Closing Balance	621,536	573,979

Sensitivity in Defined Benefit Obligation

		31 December 2017 SAR '000	31 December 2016 SAR '000
Salary Inflation	1% Decrease	570,995	531,299
	Base	621,536	573,979
	1% Increase	678,247	622,253
Discount Rate	1% Decrease	678,721	622,353
	Base	621,536	573,979
	1% Increase	571,618	532,177

Demographics Assumption

	31 December 2017	31 December 2016
Membership Data		
Number of Employees	37,967	40,020
Average age of employees (years)	34.2	33.6
Average years of past service	4.7	3.6

Summary of Economic Assumptions

Country	Rate	31 December 2017	31 December 2016
Saudi Arabia	Net Discount Rate Adjusted for Inflation	1.3%	1.0%
United Arab Emirates	Net Discount Rate Adjusted for Inflation	1.0%	0.7%
Oman	Net Discount Rate Adjusted for Inflation	2.5%	2.2%
Kuwait	Net Discount Rate Adjusted for Inflation	1.0%	0.7%
Bahrain	Net Discount Rate Adjusted for Inflation	4.5%	4.3%
Qatar	Net Discount Rate Adjusted for Inflation	1.0%	0.7%

21. Deferred Tax

Following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

21.1 Deferred Tax Assets

	31 December 2017 SAR '000	31 December 2016 SAR '000
Opening Balance	13,875	1,156
Charge for the year	25,485	12,719
Currency Translation Difference	566	-
Closing Balance	39,926	13,875

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

21. Deferred Tax continued

21.1 Deferred Tax Assets continued

Deferred tax assets relate to unused tax losses for its subsidiaries in Argentina and Egypt. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

	31 December 2017 SAR '000	31 December 2016 SAR '000
Asset for deferred taxation comprising temporary differences related to:		
Unused tax losses	39,926	13,875
	39,926	13,875

21.2 Deferred Tax Liabilities

	31 December 2017 SAR '000	31 December 2016 SAR '000
Opening Balance	56,492	67,123
(Reversed)/Charge for the year	(2,196)	8,191
Currency Translation Difference	(6,236)	(18,822)
Closing Balance	48,060	56,492

Deferred tax liability of SAR 48.1 million relates to taxable temporary differences arising on Property, Plant and Equipment. This includes SAR 23.8 million on the fair valuation adjustment of land amounting to SAR 68.1 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.

	31 December 2017 SAR '000	31 December 2016 SAR '000
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	24,234	28,256
Fair valuation adjustment of land	23,826	28,236
	48,060	56,492

22. Zakat and Foreign Income Tax

	31 December 2017 SAR '000	31 December 2016 SAR '000
Zakat Provision (Refer note 22.1)	65,659	67,576
Foreign Income Tax Provision (Refer note 22.2)	4,267	11,297
Deferred Tax (Refer note 20)	(27,681)	(4,528)
	42,245	74,345

22.1 Zakat Provision

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

	31 December 2017 SAR '000	31 December 2016 SAR '000
Opening Balance	195,624	130,941
Charge for the year	65,659	67,576
Payments	(5,048)	(2,893)
Closing Balance	256,235	195,624

The Company has filed its Consolidated Zakat returns for all the years up to 2016 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all the years up to 2006 while the Zakat returns for years 2007 to 2016 are under review by the GAZT.

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 GAZT for all years up to 31 December 2002 while the 2003 to 2008 Zakat returns are under review by the GAZT. From 2009 onwards HADCO is not required to file a separate return as its results are included in the Company's Consolidated Zakat return.

22.2 Foreign Income Tax Provision

	31 December 2017 SAR '000	31 December 2016 SAR '000
Opening Balance	19,278	15,249
Charge for the year	4,267	11,297
Payments	(6,874)	(7,268)
Closing Balance	16,671	19,278

Foreign subsidiaries have filed their tax returns for all years up to 2016, 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 2011, and the latest year assessed is 2013.

23. Trade and Other Payables

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Trade Payable			
- Third Parties	1,566,225	1,658,606	1,368,767
- Related Parties (Refer note 33)	26,650	27,906	44,719
Accrued Expenses	1,333,533	1,204,563	1,095,259
Other Payables	301,082	223,449	137,609
	3,227,490	3,114,524	2,646,354

The management considers that the carrying amount of trade payables approximates to their fair value. The average credit period taken for trade purchases is 73 days (31 December 2016: 64 days, 1 January 2016: 58 days). Other payables include Government Grants related to inventories held at reporting date.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

24. Cost of Sales

	31 December 2017 SAR '000	31 December 2016 SAR '000
Material Consumed	4,874,274	5,419,029
Government Grants	(280,991)	(176,226)
Employee Costs	1,319,658	1,345,799
Depreciation of Property, Plant and Equipment	1,267,648	1,129,529
Repairs and Maintenance	492,850	466,945
Depreciation of Biological Assets	295,927	342,041
Telephone and Electricity	281,909	248,366
Vaccines and Drugs	121,101	131,080
Crates and Pallets Consumed	40,503	43,311
Rent	58,088	39,249
Amortisation of Software Licenses	13,025	1,680
Shared Based Payment Expense	15,436	13,497
(Gain)/Loss arising from Changes in Fair Values less Cost to Sell of Crops	(977)	15,247
Other Expenses	436,337	415,218
Less:		
Appreciation of Biological Assets	(582,895)	(618,673)
	8,351,893	8,816,092

25. Selling and Distribution Expenses

	31 December 2017 SAR '000	31 December 2016 SAR '000
Employee Costs	1,287,384	1,316,154
Marketing Expenses	434,339	569,968
Depreciation of Property, Plant and Equipment	272,746	279,822
Repairs and Maintenance	134,400	135,348
Rent	39,195	42,020
Telephone and Electricity	24,989	22,880
Share Based Payment Expense	10,886	9,284
Amortisation of Software Licenses	7,403	6,396
Crates and Pallets Consumed	1,103	1,559
Other Expenses	179,434	96,930
	2,391,879	2,480,361

26. General and Administration expenses

	31 December 2017 SAR '000	31 December 2016 SAR '000
Employee Costs	225,116	270,731
Insurance	54,949	57,477
Depreciation of Property, Plant and Equipment	33,277	32,990
Repairs and Maintenance	22,029	16,534
Share Based Payment Expense	13,071	12,298
Rent	8,623	9,940
Telephone and Electricity	8,235	6,146
Amortisation of Software Licenses	29,589	24,403
Other Expenses	2,450	2,430
	397,339	432,949

27. Other Expenses, Net

	31 December 2017 SAR '000	31 December 2016 SAR '000
Loss on Disposals of Property, Plant and Equipment	14,443	15,898
Loss on Disposals of Biological Assets	160,527	84,333
Loss on Disposals of Intangible Assets	-	3,875
Dividend on Available For Sale Investment	(1,110)	-
Net gain on settlement of Insurance Claim (Refer 27.1)	-	(25,108)
Impairment of Assets (Refer 27.2)	37,211	12,400
	211,071	91,398

27.1 During the year ended 31 December 2016, the Group has received an amount of SAR 25.1 million as full and final settlement for an insurance claim related to power outages that occurred during Muharram 1437 (November 2015) in its manufacturing facilities in Al Kharj.

27.2

a) 31 December 2017

- i. Due to regional situation in Qatar, Management carried out an impairment assessment of its Qatar operations based on which assets amounting to SAR 6.6 million are considered as impaired.
- ii. During the year, Management changed its business operational plan in Teeba due to which assets amounting to SAR 30.6 million are considered as impaired.

b) 31 December 2016

- i. As part of site restoration activities at fire affected factory site in Jeddah and the transfer of facilities to the new plant, the Group identified additional assets with net book value of SAR 104.6 million which were no longer usable and are considered impaired. The impairment is charged to the Consolidated Statement of Profit or Loss net of the site restoration cost provision of SAR 92.2 million.

28. Finance Cost, Net

	31 December 2017 SAR '000	31 December 2016 SAR '000
Interest and Finance Charges	476,018	402,481
Interest Income on other Deposits	(3,538)	(2,817)
Interest Capitalisation	(73,816)	(53,936)
Net Loss on Settlement of Interest Rate Swap Instrument	2,590	5,608
	401,254	351,336

29. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	31 December 2017 SAR '000	31 December 2016 SAR '000
Profit for the year attributable to the shareholders of the Company	2,182,286	2,147,786
Less: Profit attributable to Sukukholders	(71,142)	(65,394)
Earnings for the purposes of basic earnings per share	2,111,144	2,082,392
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings	991,475	992,004
Weighted average number of ordinary shares for the purposes of diluted earning	1,000,000	1,000,000
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company		
- Basic	2.13	2.10
- Diluted	2.11	2.08

Weighted average number 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 Employee Stock Options Programme.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

30. Segment Reporting

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Beyti and Teeba brands, bakery products under L'usine and 7Days brands and poultry products under Alyoum brand. Other activities include Arable, Horticulture and Infant Nutrition. Selected financial information as at 31 December 2017 categorised by these business segments, is as follows:

Dairy and Juice	Milk production, dairy and fruits juice product processing and distribution
Bakery	Bakery products manufacturing and distribution
Poultry	Poultry products manufacturing and distribution
Other Activities	Arable, Horticulture and Infant Nutrition

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
31 December 2017					
Revenue	10,585,108	1,807,090	1,463,626	1,121,666	14,977,490
Third Party Revenue	10,510,471	1,807,090	1,463,626	154,345	13,935,532
Depreciation and Amortisation	(1,221,657)	(228,245)	(308,990)	(160,723)	(1,919,615)
Share of Results of Associates and Joint Ventures	–	–	2,525	10,493	13,018
Profit/(loss) attributable to Shareholders of the Company	2,049,004	292,637	(29,161)	(130,194)	2,182,286
Share of Other Comprehensive Loss of Associates and Joint Ventures	–	–	–	(5,201)	(5,201)
Profit/(loss)	2,007,276	312,042	(29,161)	(130,194)	2,159,963
Total Assets	20,468,751	2,463,528	5,708,497	3,255,073	31,895,849

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
31 December 2016					
Revenue	11,060,030	1,880,789	1,331,506	905,773	15,178,098
Third Party Revenue	10,961,324	1,880,789	1,331,506	164,960	14,338,579
Depreciation and Amortisation	(1,207,205)	(178,299)	(295,493)	(135,864)	(1,816,861)
Share of Results of Associates and Joint Ventures	–	–	3,143	10,180	13,323
Profit/(loss) attributable to Shareholders of the Company	2,287,808	332,230	(294,460)	(177,792)	2,147,786
Share of Other Comprehensive Loss of Associates and Joint Ventures	–	–	–	(10,388)	(10,388)
Profit/(loss)	2,275,335	347,014	(294,460)	(177,792)	2,150,097
Total Assets	18,105,205	2,478,040	5,619,936	2,991,256	29,194,437

The business activities and operating assets of the Group are mainly concentrated in GCC countries. The selected financial information as at 31 December 2017, categorised by these geographic segments is as follows:

	31 December 2017 SAR '000	31 December 2016 SAR '000
Revenue		
Saudi Arabia	9,300,015	9,057,081
Other GCC Countries	3,480,654	3,745,732
Other Countries	1,154,863	1,535,766
Total	13,935,532	14,338,579
	31 December 2017 SAR '000	31 December 2016 SAR '000
Non – Current Assets		
Saudi Arabia	22,466,056	21,569,851
Other GCC Countries	411,882	442,344
Other Countries	2,205,135	1,800,405
Total	25,083,073	23,812,600

31. Cash and Cash Equivalents

	31 December 2017 SAR '000	31 December 2016 SAR '000
Cash at Bank – Current accounts	382,964	538,202
Cash at Bank – Deposits	1,385,000	–
Cash in Hand	123,733	191,498
Cash and Bank Balances	1,891,697	729,700
Bank Overdrafts	(255,585)	(165,620)
Total	1,636,112	564,080

32. Commitment and Contingencies

32.1 The contingent liabilities against letters of credit are SAR 364.7 million at 31 December 2017 (31 December 2016: SAR 447.9 million; 1 January 2016: SAR 531.8 million).

32.2 The contingent liabilities against letters of guarantee are SAR 805.8 million at 31 December 2017 (31 December 2016: SAR 1,476.6 million; 1 January 2016: SAR 1,455.6 million).

32.3 The Group had capital commitments amounting to SAR 1,056.6 million at 31 December 2017 in respect of ongoing projects (31 December 2016: SAR 2,037.1 million; 1 January 2016: SAR 3,647.8 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and IT equipment.

32.4 Commitments under operating leases expire as follows:

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Within one year	101,119	94,447	92,745
Two to five years	164,782	189,531	193,435
After five years	77,813	214,301	215,239
Total	343,714	498,279	501,419

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

33. Related Party Transactions

33.1 During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2017 along with their balances.

Nature of Transaction	Transaction Amount		Balance at		
	31 December 2017 SAR '000	31 December 2016 SAR '000	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Sales To					
Panda Retail Company	640,247	612,686	182,733	112,475	96,339
	640,247	612,686	182,733	112,475	96,339
Purchases From					
United Sugar Company	106,313	106,991	(6,633)	(8,702)	(7,661)
Afia International Company	8	76	-	(76)	-
Al Nafoura Catering	393	309	(28)	(43)	-
Al Kabeer Farms - Forage	55,626	53,530	(19,416)	(20,216)	(8,899)
Arab Company for Agricultural Services (ARASCO)	4,228	6,349	(573)	1,131	1,507
	166,568	167,255	(26,650)	(27,906)	(15,053)
Services To					
Al Kabeer Farms	864	864	-	-	-
United Farmers Holding Company	-	131	1,735	1,735	1,603
	864	995	1,735	1,735	1,603
Services From					
Arabian Shield Cooperative Insurance Company	115,181	113,704	(92)	981	(48,865)
Todhia Farm	813	813	-	-	-
Mr. Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	173	173	-	-	-
Mobile Telecommunication Company Saudi Arabia	839	303	-	-	-
Al Jazirah Corporation for Press, Printing and Publishing	139	357	-	(52)	(120)
	117,145	115,350	(92)	929	(48,985)
Dividend Received					
Pure Breed Company	-	500	-	-	-
	-	500	-	-	-
Payment of Sukuk Finance Charges					
Yamama Cement Company	1,581	1,179	(373)	(433)	(235)
Saudi British Bank	14,940	10,664	(3,825)	(4,221)	(2,376)
Banque Saudi Fransi	14,855	11,180	(3,764)	(4,442)	(2,547)
Arabian Shield Cooperative Insurance Company	98	73	(29)	(33)	-
	31,474	23,096	(7,991)	(9,129)	(5,158)
Bank Financing					
Saudi British Bank	35,935	31,136	1,242,095	692,569	1,175,494
J.P. Morgan Saudi Arabia Limited	5,398	1,046	-	375,250	-
Banque Saudi Fransi	9,873	19,093	210,000	415,000	781,667
	51,206	51,275	1,452,095	1,482,819	1,957,161

33.2 The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

The related parties, other than subsidiaries and associates, include following:

Entity	Relationship
Panda Retail Company	Common Ownership
United Sugar Company	Common Ownership
Afia International Company	Common Ownership
Al Nafoura Catering	Common Ownership
Arab Company for Agricultural Services (ARASCO)	Common Directorship
Yamama Cement Company	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Managed Arable Farms	Common Directorship
Mr. Abdulrahman bin Abdulaziz Al Muhanna	Common Directorship
Mobile Telecommunication Company Saudi Arabia	Common Directorship
Al Jazirah Corporation for Press, Printing and Publishing	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
JP Morgan Saudi Arabia Limited	Common Directorship

33.3 Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The most Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	31 December 2017			31 December 2016		
	Non Executive/ Independent Board Members SAR '000	Key Management Personnel SAR '000	Total SAR '000	Non Executive/ Independent Board Members SAR '000	Key Management Personnel SAR '000	Total SAR '000
Salaries and Compensation	2,060	8,021	10,081	3,600	6,397	9,997
Allowances	1,680	528	2,208	449	600	1,049
Annual and Periodic Bonuses	-	12,217	12,217	-	8,056	8,056
In-kind Benefits	-	1,531	1,531	-	1,619	1,619
Other Benefits	1,800	3,600	5,400	3,080	5,050	8,130
Total	5,540	25,897	31,437	7,129	21,722	28,851

34. Derivative Financial Instruments

At 31 December 2017, 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 2017 the Group had 26 commission rate swap agreements in place with a total notional amount of SAR 5,097.0 million. At 31 December 2016 the Group had 28 commission rate swap agreements in place with a total notional amount of SAR 4,551.0 million. At 1 January 2016 the Group had 19 commission rate swap agreements in place with a total notional amount of SAR 2,863.3 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

34. Derivative Financial Instruments continued

The Group enters into 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 Statement of Financial Position at fair value. All cash flow hedges are considered highly effective. The net increase in fair value of SAR 112.1 million was recognised in Other Reserves within Consolidated Statement of Changes in Equity.

The following table detail the notional principal amounts and remaining terms outstanding as at the reporting date:

31 December 2017	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
Forward currency contracts	3,519,427	6,407	15,591
Interest rate swaps	5,097,050	18,594	18,334
Commodity Derivatives	153,487	1,287	8,579
	8,769,964	26,288	42,504

31 December 2016	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
Forward currency contracts	4,374,349	827	90,379
Interest rate swaps	4,551,048	10,982	39,002
Commodity Derivatives	191,138	3,128	13,931
	9,116,535	14,937	143,312

1 January 2016	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
Forward currency contracts	4,143,064	1,290	45,274
Interest rate swaps	2,836,297	11,089	37,098
Commodity Derivatives	160,613	2,148	18,481
	7,139,974	14,527	100,853

35. Financial Instruments

35.1 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2017							
	Carrying amount				Fair Value			
	Fair Value – hedging Instruments SAR '000	Available for Sale SAR '000	Amortised Cost SAR '000	Total SAR '000	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
Financial Assets								
Derivative Financial Instruments	26,288	-	-	26,288	-	26,288	-	26,288
Available for Sale Investments	-	90,711	-	90,711	90,711	-	-	90,711
Trade and Other Receivables	-	-	1,196,022	1,196,022	-	-	-	-
Cash and Bank Balances	-	-	1,891,697	1,891,697	-	-	-	-
	26,288	90,711	3,087,719	3,204,718	90,711	26,288	-	116,999
Financial Liabilities								
Derivative Financial Instruments	42,504	-	-	42,504	-	42,504	-	42,504
Loans and Borrowings	-	-	12,546,528	12,546,528	-	-	-	-
Bank Overdrafts	-	-	255,585	255,585	-	-	-	-
Trade and Other Payables	-	-	1,893,957	1,893,957	-	-	-	-
	42,504	-	14,696,070	14,738,574	-	42,504	-	42,504

	31 December 2016							
	Carrying amount				Fair Value			
	Fair Value – hedging Instruments SAR '000	Available for Sale SAR '000	Amortised Cost SAR '000	Total SAR '000	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
Financial Assets								
Derivative Financial Instruments	14,937	-	-	14,937	-	14,937	-	14,937
Available for Sale Investments	-	102,872	-	102,872	102,872	-	-	102,872
Trade and Other Receivables	-	-	1,052,688	1,052,688	-	-	-	-
Cash and Bank Balances	-	-	729,700	729,700	-	-	-	-
	14,937	102,872	1,782,388	1,900,197	102,872	14,937	-	117,809
Financial Liabilities								
Derivative Financial Instruments	143,312	-	-	143,312	-	143,312	-	143,312
Loans and Borrowings	-	-	11,447,139	11,447,139	-	-	-	-
Bank Overdrafts	-	-	165,620	165,620	-	-	-	-
Trade and Other Payables	-	-	1,909,961	1,909,961	-	-	-	-
	143,312	-	13,522,720	13,666,032	-	143,312	-	143,312

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

35. Financial Instruments continued

35.1 Fair value measurement of financial instruments continued

	1 January 2016							
	Carrying amount				Fair Value			
	Fair Value - hedging Instruments SAR '000	Available for Sale SAR '000	Amortised Cost SAR '000	Total SAR '000	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
Financial Assets								
Derivative Financial Instruments	14,527	-	-	14,527	-	14,527	-	14,527
Available for Sale Investments	-	104,237	-	104,237	104,237	-	-	104,237
Trade and Other Receivables	-	-	954,973	954,973	-	-	-	-
Cash and Bank Balances	-	-	2,038,776	2,038,776	-	-	-	-
	14,527	104,237	2,993,749	3,112,513	104,237	14,527	-	118,764
Financial Liabilities								
Derivative Financial Instruments	100,853	-	-	100,853	-	100,853	-	100,853
Loans and Borrowings	-	-	11,156,137	11,156,137	-	-	-	-
Bank Overdrafts	-	-	217,647	217,647	-	-	-	-
Trade and Other Payables	-	-	1,551,095	1,551,095	-	-	-	-
	100,853	-	12,924,879	13,025,732	-	100,853	-	100,853

35.2 Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

Credit Risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and receivables from related parties as follows.

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
Cash at Bank	1,767,964	538,202	1,884,481
Trade Receivables - Third Parties	859,290	783,724	680,122
Trade Receivables - Related Parties	182,733	112,475	96,339
Derivative Financial Instruments	26,288	14,937	14,527
	2,836,275	1,449,338	2,675,469

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB- and above.
- The receivable are shown net of allowance for impairment of trade receivables and sales returns.
- Financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. 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.

Trade receivables outstanding balance comprises of 55% in KSA, 31% in GCC (other than KSA) and 14% in other Countries. The five largest customers account approximately for 41% of outstanding trade receivables at 31 December 2017.

Liquidity Risk

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. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	31 December 2017			
	Carrying Amount SAR '000	On Demand or Less than 1 year SAR '000	1 year to 5 years SAR '000	More than 5 years SAR '000
Non Derivative Financial Liabilities				
Bank Overdrafts	255,585	255,585	-	-
Loans and Borrowings	12,546,528	2,003,403	9,822,256	3,015,623
Trade and other payables	1,867,307	1,867,307	-	-
Trade Payables to Related Parties	26,650	26,650	-	-
	14,696,070	4,152,945	9,822,256	3,015,623
Derivative Financial Liabilities				
Forward currency contracts	15,591	3,198	12,393	-
Interest rate swaps	18,334	-	18,334	-
	33,925	3,198	30,727	-
	31 December 2016			
	Carrying Amount SAR '000	On Demand or Less than 1 year SAR '000	1 year to 5 years SAR '000	More than 5 years SAR '000
Non Derivative Financial Liabilities				
Bank Overdrafts	165,620	165,620	-	-
Loans and Borrowings	11,447,139	1,318,796	9,417,637	2,919,817
Trade and other payables	1,882,055	1,882,055	-	-
Trade Payables to Related Parties	27,906	27,906	-	-
	13,522,720	3,394,377	9,417,637	2,919,817
Derivative Financial Liabilities				
Forward currency contracts	90,379	86,666	3,713	-
Interest rate swaps	39,002	1,503	37,499	-
	129,381	88,169	41,212	-
	1 January 2016			
	Carrying Amount SAR '000	On Demand or Less than 1 year SAR '000	1 year to 5 years SAR '000	More than 5 years SAR '000
Non Derivative Financial Liabilities				
Bank Overdrafts	217,647	217,647	-	-
Loans and Borrowings	11,156,137	1,821,410	8,857,084	2,420,982
Trade and other payables	1,506,376	1,506,376	-	-
Trade Payables to Related Parties	44,719	44,719	-	-
	12,924,879	3,590,152	8,857,084	2,420,982
Derivative Financial Liabilities				
Forward currency contracts	45,274	18,945	26,329	-
Interest rate swaps	37,098	-	37,098	-
	82,372	18,945	63,427	-

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

35. Financial Instruments continued

35.2 Risk Management of Financial Instruments continued

Market Risk

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

Commission Rate Risk

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), International Finance Corporation facility and other banking facilities of Non-GCC subsidiaries and Sukuk amounting to SAR 5,162.2 million at 31 December 2017 (31 December 2016: SAR 5,043.4 million, 1 January 2016: SAR 7,138.0 million) bear variable 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 Group's equity.

		Increase/decrease in basis points of commission rates	Effect on income for the year SAR'000
31 December 2017	SAR	+100	(51,622)
	SAR	-100	51,622
31 December 2016	SAR	+100	(50,434)
	SAR	-100	50,434
1 January 2016	SAR	+100	(71,380)
	SAR	-100	71,380

Commodity Price Risk

Commodity Price Risk is the risk that is associated with changes in prices to certain commodities that the Group is exposed to and its unfavourable 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.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Argentina Pesos ("ARS"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD") and Jordanian Dinars ("JOD"). The Group's management believes that their exposure to currency risk is limited as the Group's currency, the Bahraini Dinar ("BHD") and the JOD are pegged to USD. The fluctuation in exchange rates against ARS, KWD, EGP, Euro and GBP are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

	ARS SAR '000	KWD SAR '000	EGP SAR '000	EUR SAR '000	GBP SAR '000	Total SAR '000
31 December 2017						
Cash at Bank	9,710	29,067	-	8,652	1,288	48,717
Cash in Hand	2,487	2,652	709	94	65	6,007
Trade Receivables	2,254	97,165	64,805	-	-	164,224
Short term Borrowings	(39,462)	-	(163,406)	-	-	(202,868)
Long Term Borrowings	(28,206)	-	-	-	-	(28,206)
Trade Payables	(8,388)	(4,171)	-	(206,595)	(8,219)	(227,373)
Net Statement of Financial Position exposure	(61,605)	124,713	(97,892)	(197,849)	(6,866)	(239,499)
31 December 2016						
Cash at Bank	3,110	52,224	3,798	13,662	5,384	78,178
Cash in Hand	4	996	4,055	52	60	5,167
Trade Receivables	9,830	98,473	30,067	-	-	138,370
Short term Borrowings	(70,200)	-	(141,875)	-	-	(212,075)
Long Term Borrowings	(88,868)	-	-	-	-	(88,868)
Trade Payables	(14,530)	(2,430)	-	(163,107)	(13,428)	(193,495)
Net Statement of Financial Position exposure	(160,654)	149,263	(103,955)	(149,393)	(7,984)	(272,723)
1 January 2016						
Cash at Bank	8,922	211,228	26,201	36,064	1,405	283,820
Cash in Hand	19	5,476	5,359	45	87	10,986
Trade Receivables	8,200	85,553	36,058	-	-	129,811
Short term Borrowings	(57,854)	-	(61,509)	-	-	(119,363)
Long Term Borrowings	(17,463)	-	-	-	-	(17,463)
Trade Payables	(12,291)	(1,463)	-	(106,177)	(28,447)	(148,378)
Net Statement of Financial Position exposure	(70,467)	300,794	6,109	(70,068)	(26,955)	139,413

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

35. Financial Instruments continued

35.2 Risk Management of Financial Instruments continued

A strengthening/(weakening) of the ARS, EGP, EUR and GBP by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased/(decreased) equity by the amounts shown below:

	31 December 2017 SAR '000	31 December 2016 SAR '000	1 January 2016 SAR '000
ARS	(6,161)	(16,065)	(7,047)
KWD	12,471	14,926	30,079
EGP	(9,789)	(10,396)	611
EUR	(19,785)	(14,939)	(7,007)
GBP	(687)	(798)	(2,696)
	(23,951)	(27,272)	13,940

Capital Management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders.

36. Effect of Change in Financial Reporting Framework

As stated in note 2.1, these Consolidated Financial Statements, for the year ended 31 December 2017, are the Group's first annual Consolidated Financial Statements prepared in accordance with IFRS as endorsed in KSA. Further, the Group's opening Consolidated Statement of Financial Position was prepared as at 1 January 2016, being the date of transition to IFRS.

Note 36.1 to 36.6 set out an explanation of how the transition to IFRS has affected the previously reported Consolidated Statement of Financial Position as at 31 December 2016 and 1 January 2016, and Consolidated Statements of Profit or Loss and Other Comprehensive Income of the Group for the year ended 31 December 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's annual Consolidated Financial Statements, under SOCPA, for the year ended 31 December 2016.

36.1 Reconciliation of the Statement of Financial Position

	Notes	As at 31 December 2016			As at 1 January 2016		
		SOCPA Standards SAR '000	Effect of transition to IFRS as endorsed in KSA SAR '000	IFRS as endorsed in KSA SAR '000	SOCPA Standards SAR '000	Effect of transition to IFRS as endorsed in KSA SAR '000	IFRS as endorsed in KSA SAR '000
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	36.6 (a, g)	21,138,370	6,223	21,144,593	18,696,071	(53,784)	18,642,287
Intangible Assets and Goodwill	36.6 (g)	930,725	109,374	1,040,099	1,009,077	132,200	1,141,277
Biological Assets	36.6 (a)	1,292,302	(20,877)	1,271,425	1,227,815	(41,309)	1,186,506
Investments in Associates and Joint Ventures	36.6 (h)	–	96,612	96,612	–	94,177	94,177
Investments	36.6 (h)	199,484	(96,612)	102,872	198,414	(94,177)	104,237
Prepayments		132,867	–	132,867	72,426	–	72,426
Deferred Tax Assets		13,875	–	13,875	1,156	–	1,156
Derivative Financial Instruments		10,257	–	10,257	11,089	–	11,089
		23,717,880	94,720	23,812,600	21,216,048	37,107	21,253,155
Current Assets							
Inventories	36.6 (a, c)	3,168,687	(166,356)	3,002,331	2,835,663	(147,022)	2,688,641
Biological Assets	36.6 (c)	–	96,442	96,442	–	116,379	116,379
Trade Receivables, Prepayments and Other Receivables	36.6 (d, ff)	1,401,793	146,891	1,548,684	1,277,110	69,281	1,346,391
Derivatives Financial Instruments		4,680	–	4,680	3,438	–	3,438
Cash and Bank Balances		729,700	–	729,700	2,038,776	–	2,038,776
		5,304,860	76,977	5,381,837	6,154,987	38,638	6,193,625
TOTAL ASSETS		29,022,740	171,697	29,194,437	27,371,035	75,745	27,446,780
EQUITY AND LIABILITIES							
Equity							
Share Capital		8,000,000	–	8,000,000	6,000,000	–	6,000,000
Statutory Reserve		1,630,190	–	1,630,190	1,422,141	–	1,422,141
Treasury Shares		(378,994)	–	(378,994)	(330,699)	–	(330,699)
Other Reserves		(711,996)	–	(711,996)	(392,636)	–	(392,636)
Retained Earnings	36.6 (a, c, e, ff)	2,796,393	21,626	2,818,019	3,659,639	(32,952)	3,626,687
Equity Attributable to Shareholders		11,335,593	21,626	11,357,219	10,358,445	(32,952)	10,325,493
Perpetual Sukuk		1,700,000	–	1,700,000	1,700,000	–	1,700,000
Equity Attributable to Equity Holders of the Company		13,035,593	21,626	13,057,219	12,058,445	(32,952)	12,025,493
Non-Controlling Interest		421,250	–	421,250	559,783	–	559,783
TOTAL EQUITY		13,456,843	21,626	13,478,469	12,618,228	(32,952)	12,585,276
Non-Current Liabilities							
Loans and Borrowings	36.6 (d)	10,134,730	(6,387)	10,128,343	9,343,435	(8,708)	9,334,727
Employee Benefits	36.6 (e)	540,143	33,836	573,979	472,186	55,014	527,200
Derivative Financial Instruments		41,212	–	41,212	63,427	–	63,427
Deferred Tax Liabilities		56,492	–	56,492	67,123	–	67,123
		10,772,577	27,449	10,800,026	9,946,171	46,306	9,992,477
Current Liabilities							
Bank Overdraft		165,620	–	165,620	217,647	–	217,647
Loans and Borrowings		1,318,796	–	1,318,796	1,821,410	–	1,821,410
Zakat and Income Tax Payable	36.6 (i)	–	214,902	214,902	–	146,190	146,190
Trade and Other Payables	36.6 (ff, i)	3,206,804	(92,280)	3,114,524	2,730,153	(83,799)	2,646,354
Derivative Financial Instruments		102,100	–	102,100	37,426	–	37,426
		4,793,320	122,622	4,915,942	4,806,636	62,391	4,869,027
TOTAL LIABILITIES		15,565,897	150,071	15,715,968	14,752,807	108,697	14,861,504
TOTAL LIABILITIES AND EQUITY		29,022,740	171,697	29,194,437	27,371,035	75,745	27,446,780

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

36. Effect of Change in Financial Reporting Framework continued

36.2 Reconciliation of Equity

	Notes	As at 31 December 2016 SAR '000	As at 1 January 2016 (date of transition) SAR '000
Total Equity under SOCPA Standards		13,456,843	12,618,228
Bearer Plants recognition as Property, Plant and Equipment	36.6 (a)	19,759	(13,831)
Fair value adjustment of Crops	36.6 (c)	5,047	20,295
Actuarial Valuation Charge	36.6 (e)	(33,836)	(55,014)
Government grants	36.6 (ff)	30,656	15,598
Total Equity under IFRS as endorsed in KSA		13,478,469	12,585,276

36.3 Reconciliation of Consolidated Statement of Profit or Loss

	Notes	For the year ended 31 December 2016		
		SOCPA Standards SAR '000	Effect of transition to IFRS as endorsed in KSA SAR '000	IFRS as endorsed in KSA SAR '000
Revenue	36.6 (f)	14,698,662	(360,083)	14,338,579
Cost of Sales	36.6 (b, c, e, ff)	(8,865,050)	48,958	(8,816,092)
Gross Profit		5,833,612	(311,125)	5,522,487
Selling and Distribution Expenses	36.6 (e, f)	(2,855,658)	375,297	(2,480,361)
General and Administration Expenses	36.6 (e)	(436,078)	3,129	(432,949)
Other Expenses, net		(91,398)	-	(91,398)
Operating Profit		2,450,478	67,301	2,517,779
Exchange Gain		44,676	-	44,676
Finance Cost, net		(351,336)	-	(351,336)
Share of Results of Associates and Joint Ventures		13,323	-	13,323
Profit before Zakat and Income Tax		2,157,141	67,301	2,224,442
Zakat and Foreign Income Tax		(74,345)	-	(74,345)
Profit for the year		2,082,796	67,301	2,150,097

36.4 Reconciliation of Consolidated Statement of Comprehensive Income

	Notes	For the year ended 31 December 2016		
		SOCPA Standards SAR '000	Effect of transition to IFRS as endorsed in KSA SAR '000	IFRS as endorsed in KSA SAR '000
Profit for the period		2,082,796	67,301	2,150,097
Items that will not be reclassified to profit or loss:				
Actuarial Loss on End of Service Benefit	36.6 (e)	-	(12,723)	(12,723)
Items that may be reclassified subsequently to profit or loss:				
Foreign Currency Translation Differences		-	(514,707)	(514,707)
Movement in Fair Value on Cash Flow Hedges		-	(62,378)	(62,378)
Settlement of Cash Flow Hedges transferred to Profit or Loss		-	20,330	20,330
Movement in Fair Value of Available for Sale Investments		-	(1,365)	(1,365)
Share of Other Comprehensive Income of Associates		-	(10,388)	(10,388)
Other Comprehensive Income for the year		-	(581,231)	(581,231)
Total Comprehensive Income for the year		2,082,796	(513,930)	1,568,866

36.5 Reconciliation of Profit

	Notes	For the year ended 31 December 2016	
		Profit before zakat and tax SAR '000	Profit for the year SAR '000
As per SOCPA Standards		2,157,141	2,082,796
Loss arising from changes in Fair Value less cost to sell	36.6 (c)	(15,248)	(15,248)
Restatement of Bearer Plants	36.6 (b)	33,590	33,590
Actuarial Valuation Charge	36.6 (e)	33,901	33,901
Government grants	36.6 (ff)	15,058	15,058
Total adjustment to Profit or Loss		67,301	67,301
Profit or Loss as per IFRS as endorsed in KSA		2,224,442	2,150,097
Other Comprehensive Income		(581,231)	(581,231)
Total Comprehensive Income as per IFRS as endorsed in KSA		1,643,211	1,568,866

36.6 Index to the notes to the reconciliations

Changes due to transition from SOCPA to IFRS as endorsed in KSA

- a. Bearer Plants
- b. Adjustment for maintenance costs on bearer plants and related agricultural produce
- c. Reclassification and re-measurement of Biological Assets
- d. Capitalisation of Sukuk Issuance costs
- e. Employee Benefits
- f. Trade discounts and rebates
- ff. Government Grants

Changes due to presentation enhancement and reclassification

- g. Intangible Assets
- h. Investments in Associates and Joint ventures
- i. Zakat and Income Tax

Changes due to Transition from SOCPA to IFRS as endorsed in KSA

a. Bearer Plants

Under SOCPA standards, the bearer plants were classified as biological assets and inventory. IFRS require bearer plants to be classified under Property, plant and equipment. Consequently, the costs, accumulated depreciation and capital work in process have been reclassified accordingly.

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
Property, Plant and Equipment:		
Mature plantations – costs	101,075	49,465
Mature plantations – accumulated depreciation	(51,361)	(8,417)
Immature plantations	65,883	37,368
	115,597	78,416
Biological Assets:		
Mature plantations – costs	(48,284)	(47,108)
Mature plantations – accumulated depreciation	29,508	8,417
Immature plantations	(2,101)	(2,618)
	(20,877)	(41,309)
Inventories:		
Bearer plants (Alfalfa)	(74,961)	(50,938)
Adjustment to Retained Earnings – increase/(decrease) (Refer 36.6 b)	19,759	(13,831)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

36. Effect of Change in Financial Reporting Framework continued

36.6 Index to the notes to the reconciliations continued

b. Adjustment for maintenance costs on bearer plants and related agricultural produce

Under SOCPA Standards, Alfalfa bearer plants were classified as inventory (Refer 37.5 a). Under IFRS, these bearer plants have been reclassified from inventories to Property, plant and equipment. Subsequent to harvest, the agricultural produce from these bearer plants is accounted for as inventories at fair value. Additionally, the biological transformation between maturity of an Alfalfa plant and subsequent harvests is insignificant, therefore costs incurred on the bearer plants during the period are not capitalised and treated as maintenance costs.

The impact arising from the change is summarised as follows:

Consolidated Statement of Profit or Loss

	31 December 2016 SAR '000
Cost of Sales:	
Gain on recording of maintenance cost and agricultural produce – net	33,590
Adjustment to Profit for the year – increase	33,590

c. Reclassification and re-measurement of Biological assets

Under SOCPA Standards, standing crops and broiler birds were classified as work in process – inventories. IFRS require living animals and plants, other than bearer plants to be classified as Biological Assets. Consequently, crops and other poultry have been reclassified from Inventories to Biological Assets. Further, IFRS require biological assets to be measured at fair value less cost to sell unless where quoted market prices are not available and for which alternative fair value measurements are determined to be clearly unreliable, biological asset shall be measured at its cost less any accumulated depreciation and accumulated impairment losses, if any. On the transition date, all the biological assets owned by the Group, other than crops in Argentina, are carried at cost less accumulated depreciation and impairment losses, since quoted market prices for these biological assets are not available and any alternative fair value measurements are assessed to be clearly unreliable.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
Biological Assets:		
Crops – measured at cost	2,983	3,399
Crops – measured at fair value	37,861	50,437
Other Poultry	55,598	62,543
	96,442	116,379
Inventories:		
Work in Process	(91,395)	(96,084)
Adjustment to Retained Earnings – increase	5,047	20,295

Consolidated Statement of Profit or Loss

	31 December 2016 SAR '000
Cost of Sales:	
Fair Value Adjustments of Crops	(15,248)
Adjustment to Profit for the year – decrease	(15,248)

d. Capitalisation of Sukuk Issuance costs

The Group issued Sukuks and incurred certain issuance costs. Under SOCPA Standards, these costs have been recorded as Prepayments. IFRS require issuance costs to be net off against the liability in respect of which these costs were incurred. The respective costs have been reclassified to be net off against Long Term Borrowings.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
Long Term Borrowings:		
Sukuk issuance costs	6,387	8,708
Trade Receivables, Prepayments and Other Receivables:		
Prepayments	(6,387)	(8,708)

e. Employee Benefits

Under SOCPA Standards, the Group recorded its liability under Employee Benefit based on regulatory requirements. In order to determine the liability under IFRS, the Group performed detailed actuarial valuation of its Employee Benefits. Consequently, reduction of expense for the period has been reversed from profit or loss for the period.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
End of Service Benefit		
Decrease/(Increase) in liability – current year	21,178	(55,014)
Increase in liability – prior year	(55,014)	–
Adjustment to Retained Earnings – decrease	(33,836)	(55,014)

Consolidated Statement of Comprehensive Income

	31 December 2016 SAR '000
Cost of Sales:	
Current service costs and interest costs	15,558
Selling and Distribution Expenses:	
Current service costs and interest costs	15,214
General and Administrative Expenses:	
Current service costs and interest costs	3,129
Adjustment to profit for the year – increase	33,901
Actuarial losses on End of Service Benefit	(12,723)
Adjustment to Comprehensive Income for the year – increase	21,178

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

36. Effect of Change in Financial Reporting Framework continued

36.6 Index to the notes to the reconciliations continued

f. Trade discounts and rebates

Under SOCPA Standards, trade discounts and rebates are presented as Selling and Distribution Expenses. IFRS require trade discounts and rebates to be presented as a deduction against revenue. Consequently reclassification has been made to the Consolidated Statement of Profit or Loss.

The impact arising from the change is summarised as follows:

Consolidated Statement of Profit or Loss

	31 December 2016 SAR '000
Revenue:	
Trade discounts and rebates	(360,083)
Selling and Distribution Expenses:	
Trade discounts and rebates	360,083
Adjustment to profit for the year	-

ff. Government Grants

As reported in the financial statements of year ended 31 December 2016 government grants have been recognised when it was virtually certain that the grant will be received from the state authority. On implementing IFRS, the Group reassessed its Government Grant recognition policy and concluded to recognise it within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Government Grants are recognised in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognises as expense the related inventories for which the grants are intended to compensate.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
Trade Receivables, Prepayments and Other Receivables		
Government Grants	153,278	77,989
Trade and Other Payables		
Other Payables	122,622	62,391
Adjustment to Retained Earnings	30,656	15,598

Consolidated Statement of Profit or Loss

	31 December 2016 SAR '000
Cost of Sales:	
Government Grants	15,058
Adjustment to Profit for the year - increase	15,058

Changes due to Presentation Enhancements and Reclassification

g. Intangible Assets

Software Licenses have been reclassified from Property, Plant and Equipment to be presented under Intangible Assets for fair presentation.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
Intangible Assets:		
Software Licenses – costs	170,020	117,116
Software Licenses – accumulated depreciation	(95,399)	(66,780)
Software Licenses under progress	34,753	81,864
	109,374	132,200
Property, Plant and Equipment:		
Software Licenses – costs	(170,020)	(117,116)
Software Licenses – accumulated depreciation	95,399	66,780
Software Licenses under progress	(34,753)	(81,864)
	(109,374)	(132,200)
Adjustment to Retained Earnings	-	-

h. Investments in Associates and Joint Ventures

Under SOCPA Standards, Investment in Associates and Joint Ventures was presented under the caption of Investments. IFRS require investments in associates to be presented separately from other investments on the statement of financial position.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
Investment in Associates and Joint Ventures	96,612	94,177
Investments	(96,612)	(94,177)
Adjustment to Retained Earnings	-	-

i. Zakat and Income Tax

Under SOCPA Standards, Zakat and income tax liability is presented under Trade and other payables. For the purpose of presentation enhancement, Zakat and Income Tax liability is now presented separately on the Statement of Financial Position.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position

	31 December 2016 SAR '000	1 January 2016 SAR '000
Zakat and Income Tax payable	214,902	146,190
Trade and Other Payables	(214,902)	(146,190)
Adjustment to Retained Earnings	-	-

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

36. Effect of Change in Financial Reporting Framework continued

36.7 Exemptions Applied

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" as endorsed by SOCPA allows first-time adopter certain exemptions from the retrospective application of certain IFRS as endorsed in KSA.

The Group has applied the following exemptions:

- (a) IFRS 3 "Business Combinations" as endorsed by SOCPA has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the carrying amounts of assets and liabilities under SOCPA Standards, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 as endorsed by SOCPA also requires that the carrying amount of goodwill under SOCPA Standards must be used in the opening IFRS Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1 as endorsed by SOCPA, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2016.
- (b) The Group has not applied IAS 21 "The Effects of Changes in Foreign Exchange Rates" as endorsed by SOCPA retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the Parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the Parent or are non-monetary foreign currency items and no further translation differences occur.

37. Dividend Approved and Paid

On 28 Jumada Thani 1438 A.H. (26 March 2017) the Extraordinary General Assembly Meeting approved a dividend of SAR 720.0 million (SAR 0.90 per share) for the year ended 31 December 2016 out of which SAR 717.9 million was paid on 16 Rajab 1438 A.H. (12 April 2017).

38. Dividend Proposed

The Board of Directors have proposed, for shareholder's approval at the General Assembly Meeting, a dividend of SAR 750.0 million (SAR 0.75 per share) for the year ended 31 December 2017.

39. Subsequent Events

In the opinion of the management, there have been no significant subsequent events since the yearend that would have a material impact on the financial position of the Group as reflected in these Consolidated Financial Statements.

40. Board Of Directors Approval

These Consolidated Financial Statements were approved by the Board of Directors on 04 Jumada Al-Awwal 1439 A.H. (21 January 2018).



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