



**WE  
DELIVER**

Annual Report  
**2020**



In 2020, Almarai® reaffirmed its commitment to customers and consumers. This commitment is embodied by one concept.

**We Deliver.**

In a year that will be remembered for challenges the world has never seen before, Almarai remained committed to one ideal: Delivery. The last 12 months have demonstrated how Almarai has come to embody this concept at its core, reflected in its strategy and operating model.

Our Annual Report explains what this means for the Company of today and tomorrow.

**Our purpose**

Our purpose is simple: to deliver on our promise of ‘Quality you can trust’. Our commitment to the people and consumers of the Middle East is unwavering. We will continue to deliver nutritious and high-quality food and beverages across the markets in which we operate and grow.



Read our 2020 Annual Report on <https://annualreport.almarai.com/>



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# Almarai® in 2020

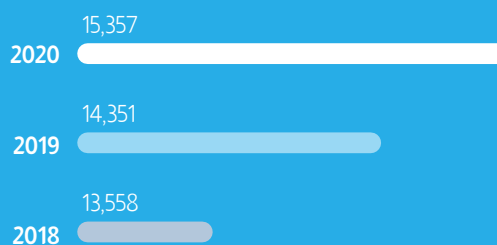
Founded in 1977, Almarai Company is the world's largest vertically integrated dairy company and the region's largest food and beverage manufacturing and distribution company. Headquartered in the Kingdom of Saudi Arabia, Almarai is ranked as the number one FMCG (Fast Moving Consumer Goods) brand in the MENA (Middle East & North Africa) region and is the market leader in most of its categories across the Gulf Cooperation Council (GCC).

After more than 40 years of sustainable growth, Almarai continues to provide nutritious and healthy products to consumers of all ages, with success derived from the bedrock principle of 'Quality you can trust'. In addition to its high-quality dairy products, Almarai has diversified its product portfolio to include juices, bakery, and poultry under the brand names Almarai, L'usine, 7DAYS, Albashayer and Alyoum. Meanwhile, the Company operates successful joint ventures with Chipita and PepsiCo.

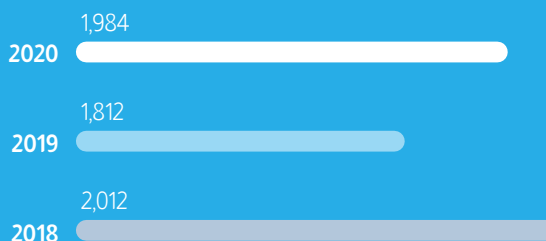
As at 31 December 2020, Almarai's paid up share capital amounted to SAR 10 billion, consisting of one billion fully paid and issued shares of SAR 10.00 each.

## Highlights

### Total sales (SAR million)



### Net profit\* (SAR million)



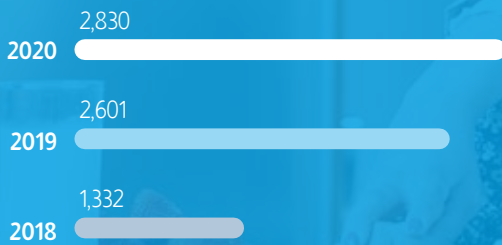
### Operating cash flow (SAR million)



\*Profit attributable to the Shareholders of the Group



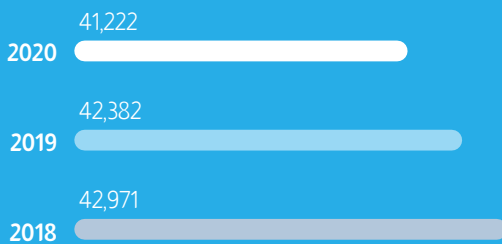
**Free cash flow**  
(SAR million)



**CAPEX**  
(SAR million)



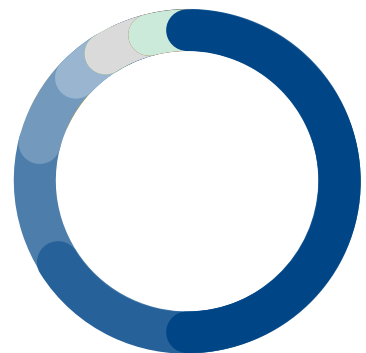
**Total headcount**  
(‘000)



**Revenue Segmentation**

**Sales by product**  
(SAR billion)

■ Fresh Dairy	5.5
■ Foods	2.5
■ Poultry	2.3
■ Bakery	1.7
■ Long Life Dairy	1.5
■ Fruit Juice	1.5
■ Other Sales	0.4

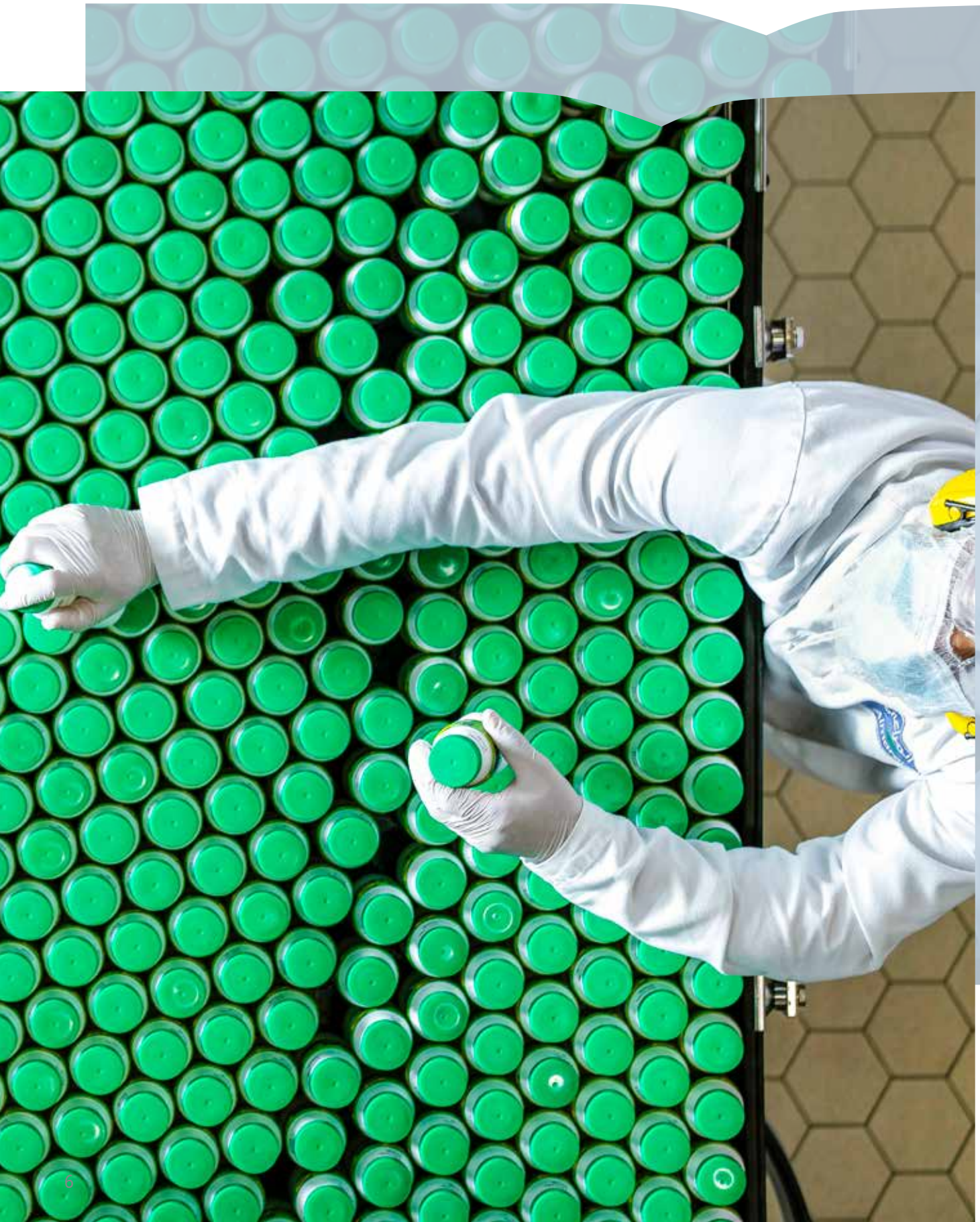


**Sales by geography**  
(SAR billion)

■ KSA	10.3
■ UAE	1.4
■ Egypt	1.0
■ Kuwait	0.8
■ Oman	0.7
■ Bahrain	0.3
■ Jordan	0.4
■ Others	0.5



# Year in review



# 20 20

## ● March

- The Board of Directors appointed HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer as Chairman and HH Prince Saud bin Sultan bin Mohammed as a non-executive member of the Board of Directors
- Almarai announced the complete redemption of its SAR 787 million Sukuk – Series II

## ● April

- Approval of the recommendation of the Board of Directors to pay a dividend, for the fiscal year ending 31 December 2019, of SAR 0.85 per share totalling SAR 850 million (this cash dividend represents 8.5% of the share capital, based on 1,000 million shares)
- Almarai announced the appointment of Mr. Danko Maras as Chief Financial Officer
- The Board of Directors approved ambitious plans to expand the poultry segment through a SAR 275 million investment to expand processing facilities and the approval for grandparent farming

## ● September

- The Company supported King Khalid Hospital in Al-Kharj with a SAR 2 million endowment to contribute to the development of the hospital's intensive care department

## ● October

- AIB International awarded Almarai the first ever Pandemic Prepared Certification as a result of excellence in applying best practices for Employee Health and Safety, Food Safety, and Supplier Management during the pandemic
- Almarai contributed 300,000 trees, equivalent to SAR 8 million, to the National Center for Vegetation for the Combating Desertification to demonstrate the company's support of MEWA's 'Let's Make It Green' initiative

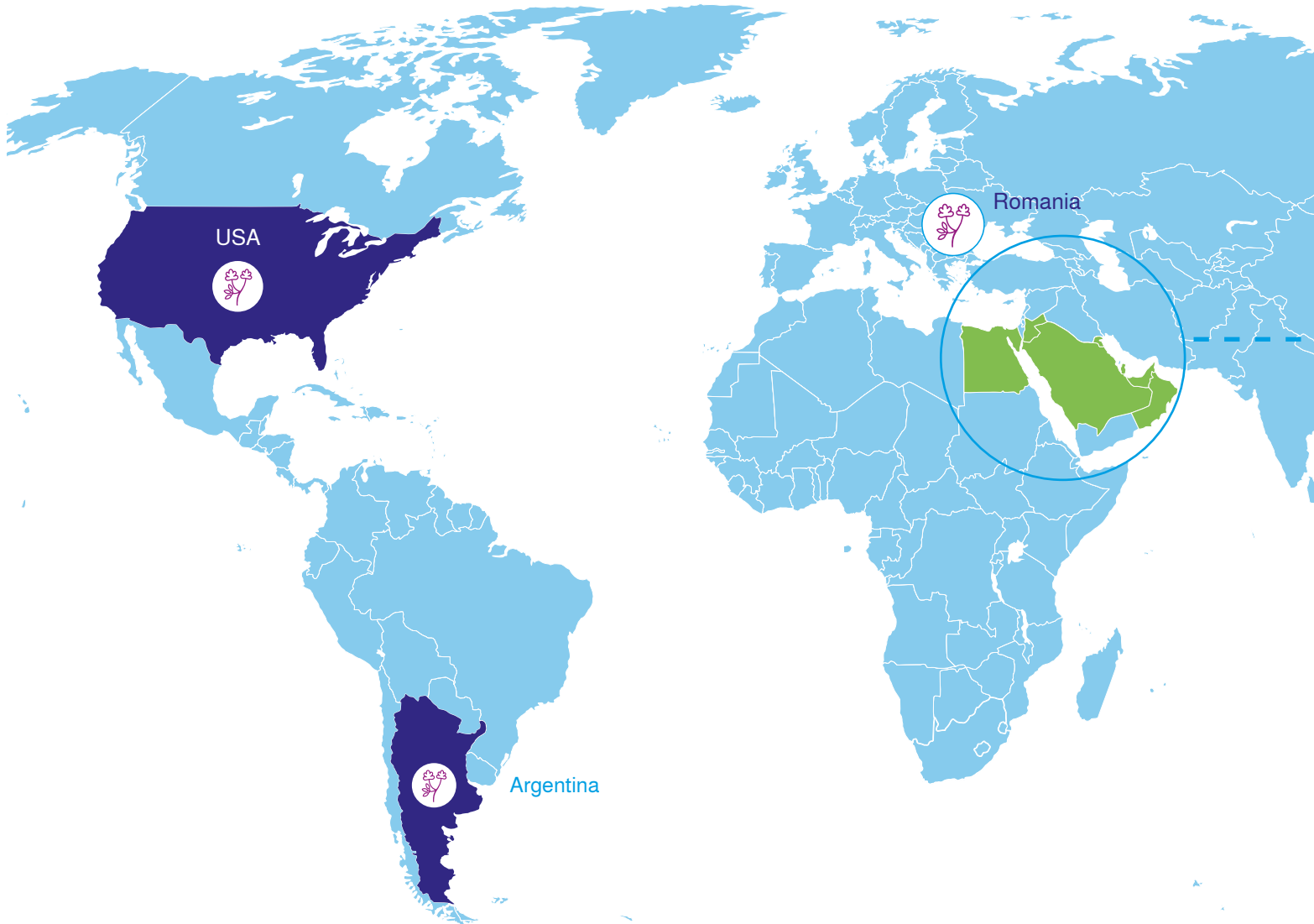
## ● November

- Almarai announced the appointment of Mr. Bader Abdullah Al Issa as its new Managing Director

## ● December

- Recommendation of cash dividend of SAR 1.00 per share (SAR 1 billion) for the Financial Year 2020 by the Board of Directors of Almarai Company

# Where we are



## What we do



### Dairy

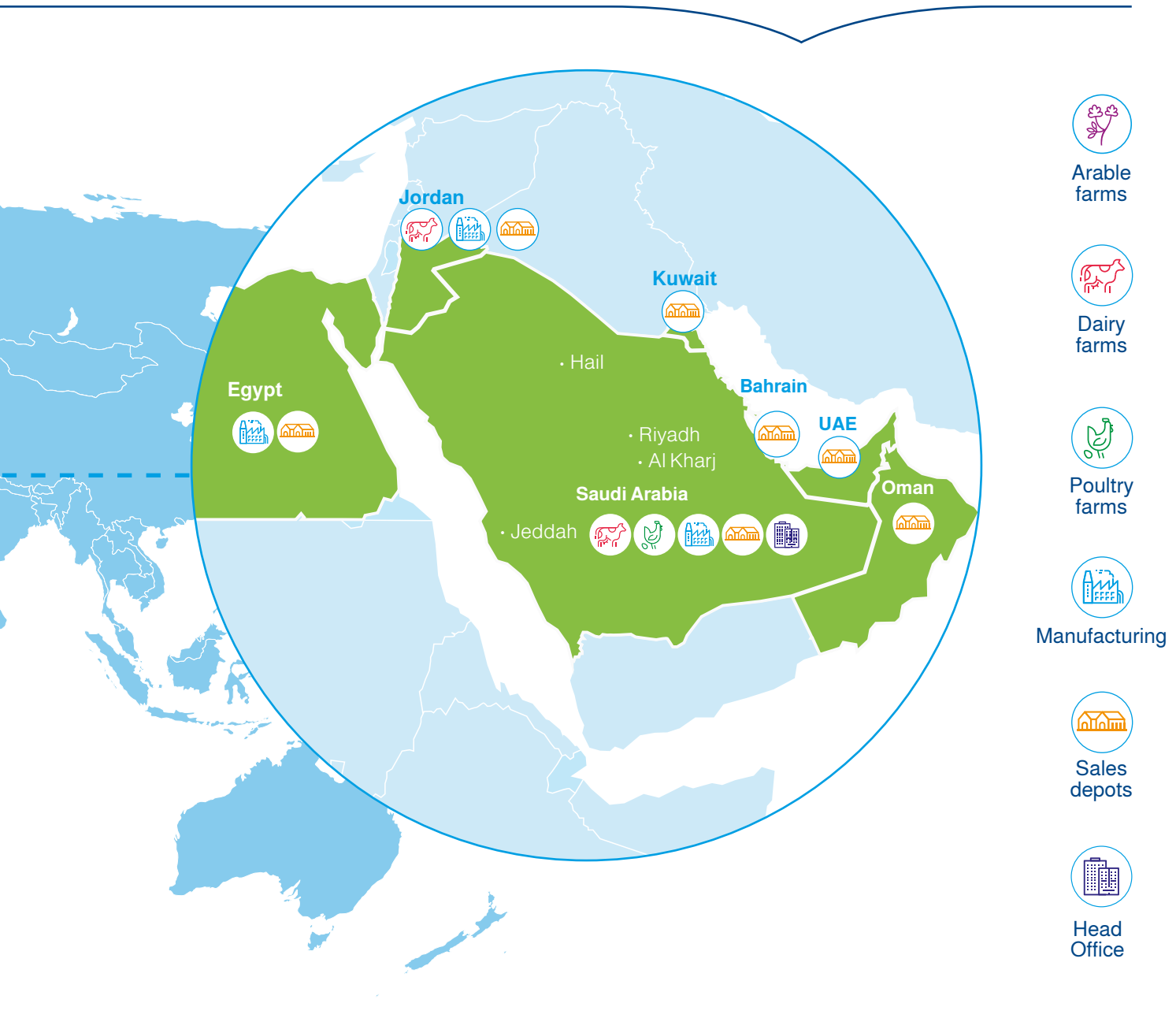
Dairy is the founding cornerstone of Almarai's product range and includes Fresh Dairy, Long Life Dairy and Dairy Foods. For over 40 years we have endeavoured to earn the trust of our consumers and are the regional market leader in a wide range of sub-categories. New product segments launched in 2020 included Hummus, Milkshakes, Drinkable Greek Yoghurt and Honey. We also successfully altered our pricing strategy for fresh dairy and dairy foods to meet increased production costs with minimal impact to sales volumes.



### Juice

Almarai leads the GCC in the production of fresh juice, providing consumers with a wide range of juices, nectars, and drinks, as well as products for children.

Over the last year, Almarai has prioritized growth in existing SKUs across GCC markets while taking measures to improve production nutrition to meet increased demand for healthier products, including the No Added Sugar (NAS) range across the Juice portfolio.



## Bakery

Using the highest quality ingredients and world class facilities, we deliver a wide range of bakery products to consumers across the GCC, marketed under the L'usine and 7DAYS brands.

From bread and snacks to cakes, Almarai provides consumers with exciting and innovative treats. In 2020, our bakery portfolio achieved promising success as we prioritized access to products across our markets.



## Poultry

Our Poultry brand, Alyoum, continues to enjoy the number one spot as brand of choice for over 34% of Saudi Arabia's fresh poultry consumers. It is a brand that symbolizes quality and innovation, representing our core values in the marketplace. The product range includes a comprehensive selection of whole, part and value-added SKUs under the Alyoum and Albashayer brands.



To grow our leading position as the trusted choice for food and beverages in the region, delighting consumers with quality nutrition every day.

## VISION



## MISSION



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

## VALUES

**A**daptable

**S**haring

**P**assionate

**I**nnovative

**R**espect

**E**xcellence

# Awards and recognition



**World's 1st Pandemic Prepared Certification** – AIB International, 2020



**Saudi Brand with the Most Loyal Customers** - YouGov Customer Loyalty Rankings, 2020



**Middle East's Top 100 Companies** – Forbes, 2020



Ministry of Health – Saudi Arabia, 2020



**Middle East's Best in Class Treasury Solutions** – Adam Smith Awards, 2020



**Leading Corporate for Investor Relations, Saudi Arabia** – MEIRA



**Most Valuable FMCG Brand** – KANTAR BRANDZ Awards, 2020



**Saudi Arabia Most Influential Brands** – Ipsos, 2020



**3rd Place Best Annual Report, Middle East** – Digital Category – MEIRA



**Best New Sukuk** - ASSET ASIAN AWARDS 2020



**Saudi Arabia Most Chosen FMCG Brand** – KANTAR, 2020



**3rd Place Best Digital IR, Middle East** - MEIRA



# MANAGEMENT REVIEW



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# Chairman's statement

On behalf of the Board of Directors, it is my pleasure to introduce Almarai's 2020 Annual Report. This was a year that tested our fortitude as a cornerstone of the food and beverage sector in the Kingdom of Saudi Arabia. It has been a year full of challenges, market headwinds and economic volatility, but every employee played their part to ensure the safe delivery of our products to our loyal consumers.

**Naif Bin Sultan Bin Mohammed Bin Saud Al Kabeer**  
Chairman

## Our operating environment

At the beginning of the year, the global economy was in an improving position and many GCC markets were poised to realize growth. Markets in the Middle East rapidly deteriorated once Covid-19 began to spread, curtailing the growth potential that many companies remain in recovery from today. Ambitions to achieve growth quickly shifted to defending market share and ensuring an adequate supply of products were made available to the public, in tandem with significant pressures in the form of tripled VAT and rapidly changing consumer behaviour.

Short to medium term forecasts for the region remain depressed, with most markets expecting contractions in the coming year. The severity of these pressures will depend on meaningful progress in combating the spread of Covid-19. Non-oil sector growth suffered from significant capital spending reductions and socially restrictive measures inhibiting private sector growth. Oil production levels will remain in line with the OPEC+ commitments, further prompting the need to secure diversification through foreign direct investment, which increased by 12% from the previous year<sup>1</sup>. The Kingdom remains wholeheartedly committed to achieving Vision 2030, not allowing the pandemic to distract from the Government's strategic aims in realizing this transformation. Presiding over the G20 summit, the Government committed to building greater resilience into the Kingdom's financial systems and reserves.

## Protecting our people

A business of Almarai's size has to prioritize the safety and wellbeing of its employees, a key pillar of our sustainability framework implemented in the previous year, "Caring for our People". I am personally proud of the rapid response of Almarai's management teams, effectively transitioning the Company to remote working and implementing lockdown procedures at our manufacturing facilities to protect these sites from exposure to the pandemic. Acting with agility we were able to take much of our work online, establishing effective communications systems to unite disparate workers.

A highlight of 2020 included our continued commitment to food security in the region. As a market leader in the segments in which we operate, we feel a duty of responsibility to meet consumer demand, ensuring availability of our products on retail shelves. Almarai benefitted from its highly integrated business model, exploiting end-to-end control of our supply chain to meet consumer demand. I am pleased to note that Almarai did not experience a single instance of supply chain

shortages, enabling uninterrupted access to our much loved products that reflect our commitment to quality.

Another milestone for the Company came in the form of recognition from AIB International as the first company in the world to receive the "Pandemic Prepared Certification". The multifaceted assessment rigorously examined our management systems including crisis protocols, supply chain, operations, and health crisis mitigation. Throughout the year, our ability to adapt to new stringent regulations while ensuring the quality of our products remained uncompromised and supportive of the wider health implications surrounding the pandemic was inspiring. Despite difficult macroeconomic circumstances, Almarai reaffirmed its commitment to 'Quality you can trust'. We went above and beyond the call of duty to maintain inventory levels for retailers.

## Governance

In 2020, the Board continued to diligently perform its fiduciary responsibilities. In March, it appointed HH Prince Saud bin Sultan bin Mohammed as a non-executive member. In April, following the Company's Annual General Meeting, we approved a dividend totalling SAR 850 million to be paid to shareholders, along with ambitious expansion plans for the Poultry segment through SAR 275 million in capital investment.

## Value for our shareholders

Almarai's total market capitalization as at 31 December 2020 was SAR 54.9 billion, with one billion shares in issue. At the forthcoming Annual General Meeting on 13 April 2021 the Board of Directors will propose a dividend distribution of SAR 1,000 million, equivalent to SAR 1.0 per share or 50% of audited Net Income.

## Gratitude to stakeholders

Finally, I would like to express my gratitude to my fellow members of the Board of Directors, for the support and trust they continue to place in our management team. I would also like to place on the record my sincere thanks to the senior management team who, in the face of unprecedented market conditions upheld the values of Almarai in delivering quality to customers and driving value for shareholders. Lastly, on behalf of the Company, I would like to thank our consumers, employees and quality makers who all play a vital role in Almarai's corporate journey and in no small part contribute to our ongoing success. 2020 proved to be a challenging but rewarding year that tested the strength and resilience of our business model. I am proud of the continued commitment demonstrated by our employees to secure Almarai's future.

<sup>1</sup> World Bank: Saudi Arabia Economic Update (October 2020)

# Managing Director's message

**This was a year that tested the strength of Almarai as a contributor to food security in the Middle East. Our prior investments in infrastructure, processes and a strong supply chain truly paid off. It has been a privilege to lead the Company through this difficult period and I have relied heavily on the support of the management team and colleagues at all levels to deliver on our promises and commitments to customers. I am proud of the work we have done and wholeheartedly believe we have embodied the values that our stakeholders have come to expect from us.**



**Bader Al Issa**  
Managing Director

## Performance highlights

Net Income for 2020 stood at SAR 1,984 million, increasing by 9.5% from 2019. Revenues improved by 7% to reach SAR 15,357 million. Markets across the GCC saw sustained macroeconomic pressure throughout the year, owing largely to the Covid-19 pandemic, which continues to cause disruption to supply chains and the wider food and beverage industry globally. Almarai's highly integrated business model mitigated the impact of much of this volatility, with strong processes and controls proving vital in ensuring sufficient volumes were available to meet consumer demand.

Sales volumes experienced a steep uptick in activity in the early stages of the pandemic, primarily due to lockdown measures quickly imposed by the Saudi Government to ensure the safety and wellbeing of citizens. Retail shopping saw a major spike in activity as customers rushed to stock up in anticipation of prolonged lockdown measures and wider market uncertainty. Control of our supply chain and the strategic allocation of products proved essential to managing costs and ensuring adequate supply of products.

In such a challenging market environment, we modified our approach to ensure the safety of all employees. Initially, 2,400 of our colleagues were trapped abroad and unable to return due to travel restrictions, and unable to work prior to the rapid integration of home working protocols. We quickly took the necessary steps to facilitate remote working for non-factory and non-farming staff and implement a full lockdown at all farming and production sites, minimizing exposure to the outside world. This allowed our onsite teams to continue their valuable work.

## How we delivered

2020 has been an extraordinary year, requiring a response of equal measure, where Almarai's commitment to the customers and consumers who choose our products has become synonymous with our commitment to quality. As markets began to contract when the pandemic swept the region, we felt a duty to act as an anchor in the region to ensure food shortages were mitigated as far as possible. Our robust internal processes and end-to-end distribution capabilities were fully utilized to fulfil demand in all of our key markets.

The impact of our commitment to ensuring availability of key products was felt across the business. Initially, we experienced some operational and supply chain disruption as the economy transitioned to a 'new normal'. Although we are in a 'defensive' sector, we were not immune to this, and had to import higher volumes of livestock feed and other raw materials, which increased costs considerably, but was comfortably met by strong

free cash flow of SAR 2,830 million. As we transitioned back to a new version of 'business-as-usual', it became clear that the built-in measures to improve our resilience over the years have played a vital role in our ability to maintain productivity in times of uncertainty, reinforcing our promise of "Quality you can trust".

## Almarai's investment case

Almarai operates in a dynamic and resilient market segment, and fully understands the requirement to maintain customer loyalty while producing high quality products manufactured from world-class raw materials.

### Market leadership

- Almarai occupies the top spot in almost all market segments in which it operates
- For fiscal year 2019, Almarai ranked as the number one issuer on the Saudi Stock Exchange for ESG performance<sup>1</sup>

### Stable top- and bottom-line growth

- Revenue growth for 2020 was 7.0%, with revenues growing in all markets except Oman
- Net Income increased by 9.5% in 2020 to reach SAR 1,984 million, compared to SAR 1,812 million in the previous year
- Significant optimization of Capex resulted in a lower spend of SAR 969 million, to account for a decrease of more than 40% against last year spend of SAR 1,650 million

### Track record for delivering value to shareholders

- Dividend payment amounting to SAR 1.0 per share, totalling SAR 1,000 million to be paid to shareholders for full year 2020
- 305% increase in share price since listing

### Agile response to Covid-19, resilient to external shocks

- Product portfolio returned to pre-crisis levels through supply chain resilience
- Crisis management teams mobilized for possible 'second wave' infections
- Procurement teams avoided interrupted access to essential materials
- Cash flows and leverage position remained strong

<sup>1</sup> World Bank: Saudi Arabia Economic Update (October 2020)

### Putting safety first

Almarai employs more than 41,000 people worldwide, with over 27,000 residing in Company accommodation either onsite or nearby. We immediately recognized that, to continue production and maintain our commitment to producing the highest quality products, full social distancing measures would prove incredibly difficult while maintaining contact with the outside world. As such, Almarai made the decision to lock down production sites, which allowed our employees to continue as normal alongside rolling out a series of sanitization initiatives that complied with Government regulation, on top of our already comprehensive food safety protocols to protect consumers. Safety for all stakeholders has, and will continue to be, our top priority.

In line with the Government's vision to protect the public from the pandemic, hygiene materials and disposable products were made available across our manufacturing and distribution facilities. Along with designated quarantine rooms, such initiatives proved challenging from a cost perspective but ultimately ensured solid top-line results.

### Almarai 2025

We remain fully committed to realizing the aims of the Almarai 2025 strategy, while prioritizing working capital optimization and business process transformation in response to the pandemic. In the coming year we will redouble our efforts to strengthen the core business due to reduced disposable income and a likely decrease in tourism to the Kingdom. We are, however, satisfied with the progress made towards achieving our five-year strategic aims, and are eager to resume regular business activity once the economy recalibrates in full.

### With thanks

I am grateful to the senior management team for their support, guidance, and wisdom in profoundly difficult conditions. I would also like to express my appreciation to the Board of Directors and our shareholders for their support during an especially volatile year, and to my colleagues at all levels who are the backbone of Almarai. Lastly, I would like to express my thanks to our loyal customers and consumers, who placed their faith in our business to deliver quality and nutritious products. I am pleased to say that we did not fail them, and that, God willing, we will continue to deliver.



# We Deliver

In a year of profoundly challenging conditions that have not been experienced in living memory, Almarai prioritized one area: **Delivery**. After years of careful planning and investment in the business and quality of our products, we realized returns on the strength that we have built over our 40-year history.



This was, in some ways, an **evolutionary year** for Almarai, with historical investments and achievements paying off for the Company, shareholders and consumers. Prior strategic planning was essential for the on-ground logistics and productivity that safeguarded our supply chain, production and distribution.

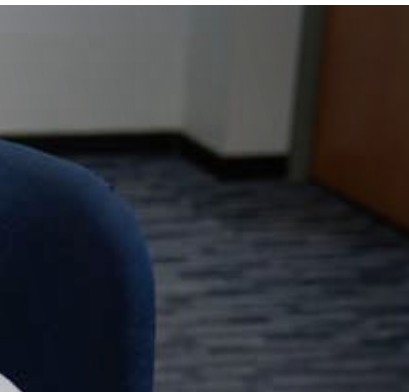
From this evolution we aim to build in the coming years. We are **adapting for future growth**, both financial and non-financial, by increasing our agility, improving our cash flows, and continuing to find innovative ways to optimize our supply chain in order to manage our costs.



**Zero product shortages** occurred even at the peak of the pandemic as the Company focused efforts on ensuring availability for consumers. At an operational level, we have always committed to exceeding demand, and this proved vital.



By prioritizing delivery, we did not compromise on our **commitment to quality**. Quality is a concept that drives our operations, from sourcing the highest calibre ingredients across the globe to produce our well-loved products and deliver them to our loyal consumers and customers.



**Resilience** is a foundation of Almarai's values, embedded in our belief system, that promotes our enduring and unwavering commitment to consumers. 2020 was a formidable test of self-sufficiency for the Company. We consider it a test that we passed.



**Responsibility** to maintain market leadership across important food and beverage categories. Our ability to satisfy demand through readiness and preparedness was evidenced by our recognition as the first company in the world to receive AIB International's "Pandemic Prepared Certification". Meanwhile, our people are critical to our operations, and we delivered on our responsibility of care to ensure their health and safety.

# Strategic priorities in 2020

As a vertically integrated food and beverage company with an established regional footprint and leadership positions in multiple segments Almarai is well positioned for continued long term growth. While this is driven with a clear focus on developing our existing business, we regularly review opportunities for expansion into adjacent segments that are complementary to our core.

## Growth

### Strategic priorities

- Focus on profitable growth in our core businesses
- Maintain close control over operating costs
- Minimise CAPEX investment

### Key risks

- Reduced demand due to depressed economic conditions and the impact of Covid-19. This is particularly acute in Foodservice.
- Price rises driven by the increase in VAT further dampening consumer demand
- Potential impact of Covid-19 to create:
  - Interruptions in supply of raw materials
  - Interruptions to production and supply of finished product

## Delivering for consumers

### Strategic priorities

- Maintain uninterrupted supply of core products to consumers in all our markets
- Maintain the highest standards to deliver on our promise of “Quality you can trust”
- Be a significant contributor towards food security in the region

### Key risks

- Potential second wave of Covid-19 during the winter months

### KPIs

- Maintaining on-time deliveries to customers



# CFO's review

Throughout what was an extraordinary year for Almarai, we have realized returns from historical investments in the Company that prepared us to step up and deliver on our promise to consumers. Through diligent planning, we put ourselves in a position where there was no need to compromise on our commitment to quality, while achieving healthy top- and bottom-line growth.



**Danko Maras**  
Chief Financial Officer

## Performance highlights

Revenues for the year totalled SAR 15,357 million, increasing by 7.0% from 2019. Top-line growth was led by Long Life Dairy, Foods and Poultry where all three business segments recorded double digit increases for the year. Our Retail sales channels performed well, however Foodservices was subdued due to the pandemic taking hold of the Kingdom earlier in the year. The situation has since remained fluid, and we are beginning to see green shoots of recovery as the HORECA sector begins to open up.

Gross profit increased by 3.1% for the year, to reach SAR 5,536 million for 2020. Margins were impacted by higher input costs for raw material and feed, driven primarily by alfalfa imports, labour costs, and health and safety initiatives to better manage the pandemic. Through careful cost management, we were able to offset increased selling and distribution expenses, which increased by 4.8% to SAR 2,490 million, by a focus on de-leveraging the Company and exploiting a low interest environment. Pandemic-related costs added pressure to the bottom-line, but strict cost control measures for both CAPEX and operating expenses alleviated this impact, with CAPEX reduced by more than 40% to SAR 969 million for the year, focused on essential maintenance activities. Consequently, year-on-year net income growth was strong, at 9.5% to reach SAR 1,984 million at a margin of 12.9% (12.6% in 2019).

## Healthy cash flows, active balance sheet management

Free cash flow was very healthy, increasing by 19.3% to reach SAR 2,830 million at year-end, compared to SAR 2,373 million in 2019 ex M&A activities. This played a critical role in our ability to deliver products to consumers. We made one significant drawdown on an existing facility at the beginning of the year, amounting to SAR 600 million, as a precaution to position us to operate as the pandemic began to spread through the Kingdom, but with a positive cash flow position we did not need to access new debt or drawdown further on facilities for the remainder of the year. We anticipate continued strong cash flow generation as we move into 2021, with liquidity and funding plans in place to support our operating position in the prevailing economic climate.

Net Debt to EBITDA was reduced from 3.2x in 2019 to 2.7x for 2020, and we remain committed to de-leveraging the Company towards an optimal ratio between 2.5x and 2.7x, having made excellent progress in the last 12 months. Almarai maintained its investment grade credit ratings of BBB- from Standard & Poor's and Baa3 from Moody's, both with a stable outlook throughout 2020 and heading into the next financial year. While the business did not

require any additional funding for 2020, we maintained back-up facilities in both committed and uncommitted lines amounting to SAR 5,500 million to account for potential volatility in the market.

With respect to credit risk, Retail performed considerably well, despite the ongoing pandemic, however, Foodservice performance remained subdued which resulted in a delay to recovery, acutely experienced during the lockdown period. The situation has since started to improve, as businesses once again begin opening up in the Kingdom. The existing controls in place supported the safeguarding of our receivables within Foodservice, with credit terms of 65% to 70% of the business standing at 30 days, and we managed to collect payments without extended delays and managed to successfully avoid significant bad debts. Throughout the year, our proactive approach to carefully monitoring receivables has resulted in no major credit issues.

## Institutional resilience

Almarai is built on the founding principle of "Quality you can trust". Resilience has been embedded in our organizational structure over many years of strategic investments to expand our capacity and develop world-class production facilities. The business was well-equipped to ramp up production to account for increased consumer demand as behaviour shifted towards a defensive stance, and customers began to panic during the initial uncertainty. Almarai management reacted rapidly to begin scenario planning for potential economical outcomes, which has given the Company impetus to begin rationalizing its operating model to further mitigate anticipated headwinds.

## Supply chain and inventory management

As a vertically integrated manufacturer and distributor, Almarai has substantial control and ownership over all inventories, which significantly reduced supply chain risk in the wake of the Covid-19 pandemic. Unlike other players in the food and beverage industry, raw material procurement was not a cause for concern. We identified several issues with suppliers who were forced into utilizing lines of credit to secure raw materials, demonstrating some problematic issues with liquidity in the market. In European markets, such as Spain, liquidity quickly became a major concern, and we overcame this by diverting to Argentina, which streamlined processes by mitigating the need for dual-suppliers, therefore reducing costs overall.

## Preparing for the future

We are well-positioned for stable performance in the years ahead, with the journey towards Almarai 2025 having made meaningful strides. In the Kingdom of Saudi Arabia we have continued to improve both market share and revenues across segments, with solid growth in Kuwait and Egypt. Oman saw a decline in volumes this year, prompted by the introduction of a new entrant in the dairy market, however we remain optimistic that we can create white space for mutually beneficial and healthy competition in the Sultanate. As Saudi Arabia returns to more normal economic activity in 2021, we anticipate an uptick in Foodservices as restaurants reopen and consumers spend more time outside their homes.

On 31 March 2020, we settled our local Sukuk of SAR 787 million, reducing our overall debt, and following AGM approval paid an SAR 850 million dividend to shareholders, maintaining our commitment to delivering competitive returns. Our healthy cash position at year-end has put the Company in a strong position to pursue future investment activities and expansion opportunities as they emerge. We look forward to the year ahead.

## Five Year Financial Highlights

SAR million	2020	2019	2018	2017**	2016**
<b>Operational Performance</b>					
Revenue	15,357	14,351	13,558	13,936	14,339
Gross Profit	5,536	5,367	5,327	5,584	5,522
Operating Profit	2,522	2,473	2,521	2,583	2,518
Profit Attributable to Shareholders	1,984	1,812	2,012	2,182	2,148
<b>Balance Sheet</b>					
Net Working Capital	3,623	3,048	2,988	1,429	1,318
Property Plant and Equipment	21,113	21,951	21,978	22,402	21,145
Net Debt	10,749	11,955	12,743	10,910	10,883
Total Equity	16,234	15,259	14,463	14,881	13,478
Total Assets	32,344	33,148	32,783	31,896	29,194
Total Liabilities	16,111	17,889	18,320	17,015	15,716
<b>Cash Flow</b>					
Cash Flow Generated from Operating Activities	4,203	4,732	3,669	4,614	4,473
Addition to Property Plant and Equipment	(824)	(1,517)	(1,919)	(2,797)	(4,515)
Free Cash Flows*	2,830	2,602	1,332	1,304	(509)
<b>Key Indicators</b>					
EBIT to Sales	16.4%	17.2%	18.6%	18.5%	17.6%
Return on Net Operating Assets	9.1%	8.9%	9.4%	10.5%	11.1%
Net Debt to Equity Ratio	66.2%	78.3%	88.1%	73.3%	80.7%
EPS - Basic	2.02	1.83	1.98	2.13	2.10
Dividend Per Share	1.0	0.85	0.85	0.75	0.72

\* Net of Investments

\*\* The amounts presented for the year 2016 and 2017 are from the audited Consolidated Financial Statements of respective years.



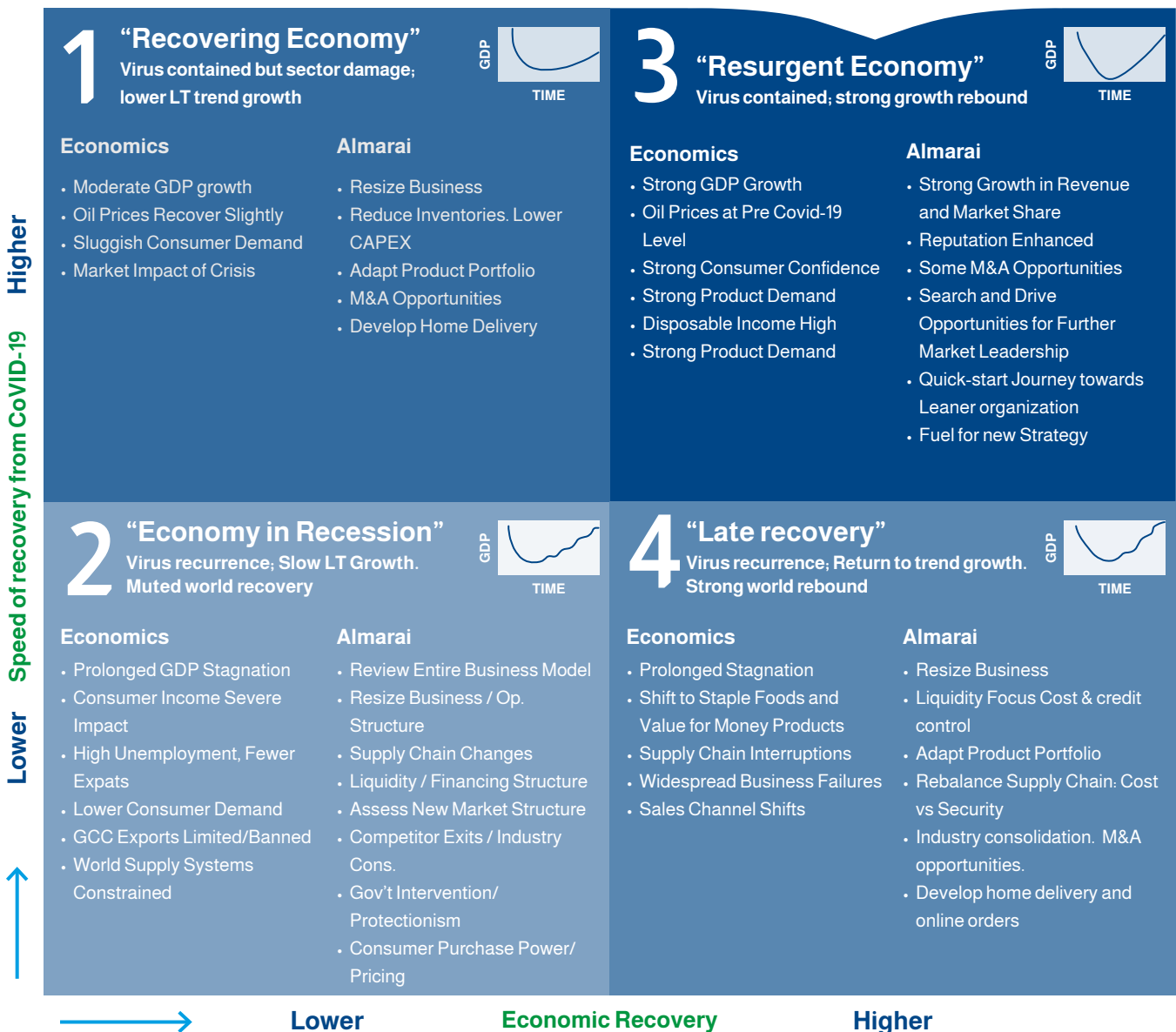
# COVID-19 impact and response

## Scenario mapping

In response to the Covid-19 pandemic, Almarai took a proactive approach to a range of possible scenarios. The allocation of resources evolved as the crisis progressed, with economic volatility creating difficulties in predicting how markets behaved. A healthy cash flow position has created headroom for Almarai to make predictions for the year ahead, including possible reductions to both top-

and bottom-line growth. Active management of working capital along with a solid business model have given the Company scope to react according to the situation.

After careful evaluation, Almarai prepared responses to four possibilities, to account for the different scenarios we believe may be encountered.



## Crisis management

### Creating holistic communications channels

Managing the rapidly evolving pandemic crisis throughout 2020 was essential not only for securing delivery to consumers but ensuring the safety of colleagues and creating value for shareholders. Almarai reacted quickly to roll-out a comprehensive communications system at all levels across business segments, including senior management.

At the peak of uncertainty, Almarai incorporated a daily communications channel, feeding information to all colleagues directly from the CEO to manage expectations while promoting inclusion for those trapped overseas, and transparency of new policies and initiatives.

**2,400** colleagues trapped abroad due to movement restrictions imposed by governments

SKUs rolled back to **200** from **500** to focus on the core and protect food security in the region; gradually ramped back up

**27,000** people in Almarai accommodation and working on-site during lockdown period

### Managing exposure risks

Manufacturing and Farming sites went into full lockdown almost immediately to maintain our commitment to delivery and safety. Our manufacturing and farming sites are not equipped to handle social distancing measures while operating at the level required to maintain consistent consumer supply. A full lockdown was the only option to achieve the output required to keep consumers and our people safe. This did, however, create a scenario where we were unable to rotate employees, leading to longer periods of working to keep production moving.

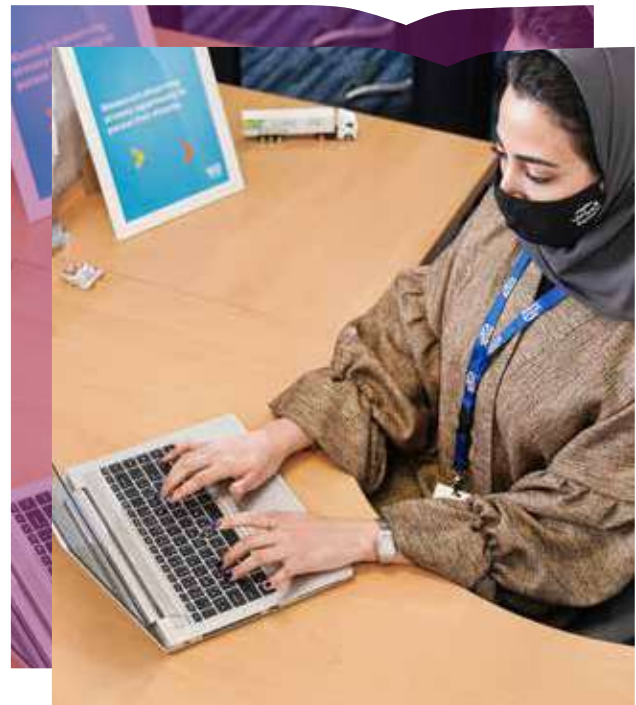
and on-the-job training to revamping core competencies for new employees and integrating new technology to improve connectivity for a physically disconnected work force. Almarai is fortunate to operate in a sector that has held up well and is in an exciting position to help materially improve the lives of consumers.

SKUs were rolled back significantly from over 500 to approximately 200 to prioritize the core categories throughout the period. Through the efforts of management and commitment of employees complying with strict health and safety protocols, Almarai managed to deliver products at an increased rate throughout the peak of the pandemic while incurring zero cases of Covid-19 on site.

### Business impact

Covid-19 has given Almarai the impetus to look at our internal structures and identify areas where we can upgrade efficiencies and reduce unnecessary waste. Many of the Company's internal processes have been modified significantly throughout this tumultuous period, from booking employee leave to managing administrative responsibilities. Digitization will revolutionize the way business is conducted in the future, with face-to-face meetings no longer a necessity, and limitations to air travel creating additional entry barriers to new markets.

The pandemic has had a material impact across all segments of the business, from succession planning





# STRATEGIC REVIEW



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# Business model

Our business model is structured to deliver on the promise of 'Quality you can trust'. It is tailored to our commitment to ongoing improvement and exists as a guiding force for operations across the Company. The business model enables management and staff to work in accordance with a clearly defined operating framework. It facilitates the practical application of a working culture that has efficient and effective process management at its heart.

## Inputs

### Raw materials

- 1,600+ suppliers
- Supplying 47,685 items
- SAR 5.9 billion spent on raw materials in 2019

### Advanced manufacturing

- Four ultra-modern dairy & juice processing facilities
- State-of-the-art Infant Nutrition facility
- Three bakeries
- Poultry plant & facility

### Leading innovation

- Innovative systems and processes
- Innovative product development to delight consumers

### Best-loved brands

- 6x leading brands

### Innovative people

- Workforce of 41,222 inspired by innovation
- World-class training and development programme
- 69 nationalities

### Strong financial support

- Robust financial management, low leverage
- Access to funding from global capital markets
- Strong working capital & capital expenditure control



## How we do it

### Crop cultivation and selection

- Animals consume highest quality feed
- Almarai imports 100% of its yearly green fodder requirements through its oversea arable operations



### Extraordinary care for farm animals

- Dairy herd and poultry flock have 24-hour veterinary care
- Temperature controlled housing
- Highly nutritious feed
- Ensures maximum yield and first-class end product



### Best-in-class manufacturing

- Cutting-edge technology to mass-produce nutritious products while reducing costs (Manufacturing 4.0)
- Continuous facilities expansion and renovation
- Meeting growing demand



## Adding Value

### Business unit structure:

- Almarai transitioned from a functional to business unit model
- Management focus on end-to-end sales, profitability and return on net operating assets (RONOA) for each business units

### Commitment to quality:

- 'Quality you can trust' is in our DNA
- The Almarai Quality 4.0 program covers process, people and technology, unifying the quality architecture across the Group
- Core values (ASPIRE) are directly connected to our world-class quality management system





## Outputs

### Exceptional transport & logistics



- Transport & Logistics division larger than any logistics company in the Middle East
- 8,441 vehicles deliver 2 billion kg of product on time and in perfect condition

- All business units served by Sales, Distribution & Logistics, Procurement and other corporate functions
- Exports team to grow opportunities for sales beyond GCC (worldwide)

### Almarai innovation management:

- Stage-gate innovation management process captures product ideas, managing them to final launch
- 300+ projects in pipeline meet new consumers trends and maximize operational efficiency



### Consumer insights & powerful branding

- Earned the trust of consumers to become a trusted brand across the Middle East
- Ongoing feedback process for maintaining quality and consumer satisfaction

### Innovation in our DNA

- Commitment to innovation is a core value
- Innovation underwrites the Almarai quality culture
- Digitalization of production and automation of business processes



### Shareholder value

- For 40 years, consistent delivery of strong returns to shareholders
- Almarai is committed to creating shareholder value by paying dividends and realizing compelling returns for long-term investors

### People

- Almarai is recognized among the GCC's best employers
- All staff are encouraged to participate in training and develop their careers

### Society

- Social responsibility and sustainability programs designed to support Vision 2030
- Connecting all levels of society and the environment from helping children in need to reducing our environmental footprint

### Consumers

- Delighting consumers across the Middle East with healthy and nutritious food and beverages, at affordable prices from a brand they know and trust



# Strategy: Almarai 2025

To deliver on our strategic objectives we have established where we will operate and how we will win. In essence, our objectives are to realize our full potential in core markets, turn around non-core businesses, and develop high-potential new categories. The key drivers of the strategy are:

1. **Strong focus on operating efficiencies and asset optimization**
2. **Increased investment in innovation and marketing**
3. **Expansion into new growth areas, organically and via acquisition**
4. **Technology enhancements, with a focus on digitization**

## Where to play



### Strengthen core business

- Maintain and grow in core categories and markets
- Food service scale-up
- Egypt & Jordan turn-around



### Develop beyond the core

- Expand into adjacent food categories of meaningful scale
- Evaluate new geographies

## How to win



### Technology

- Core system modernization
- Process standardization and automation
- Advanced Analytics



### Procurement excellence and capital efficiency



### Create shared value through effective sustainability management



### Commercial excellence

- Analytics-driven commercial decision making
- Faster innovation



### Acquisitions and partnerships in existing and new categories



### Operating model and talent

- Simplified, agile structure
- End to end process organization
- Performance-based culture

## Goals

- 1.5x market growth
- RONOA > WACC+2%
- Top decile organizational health and employee satisfaction
- Preferred consumer brand
- Almarai 2025 Sustainability Targets

# Case study: Pandemic crisis management

## The challenge

Business continuity across the Kingdom of Saudi Arabia was threatened when the Covid-19 pandemic began. In the face of market-moving challenges, the Company had to ensure an abundant supply of products that met the high demand, and the high standards that customers have come to expect from the Almarai brand.

## The strategy

From day one, Almarai took immediate action to prioritize the safety of all employees and protect food processing and distribution operations. Lockdown measures at major manufacturing facilities were implemented to ensure strict quality control and

safeguard consumers from potential contamination.

Rapid response communications channels were established to monitor the evolving situation across facilities while liaising with Government ministries to ensure availability

and consistent access to retail shelves across the Kingdom.

Almarai had to ensure that internal crisis policies, programmes and procedures were strictly adhered to, not only to meet the highest levels of scrutiny but also to

protect consumers. Cross-segment communication was centralized, culminating in a world-class crisis response unit that maintained our commitment to 'Quality you can trust'.

## The result

Almarai was recognized as the first company ever to be awarded the AIB International Pandemic Prepared Certification, reassuring employees, customers, and

investors that the Company has once more proved its culture of sustainable practices and industry-leading business continuity.

# Key performance indicators

To deliver on the objectives of our strategy, we have set Key Performance Indicators (KPIs) that ensure progress throughout the programme’s lifetime. The KPIs address both our vision and our ‘quality-driven, consumer-focused’ working culture. Almarai has long term objectives and a corporate scorecard for the delivery of its KPIs, along with a three-pillar roadmap for the year, which focuses on: growth drivers, operations/efficiency and capabilities/enablers.

## Vision

To grow our leading position as the trusted choice for food and beverages in the region, delighting consumers with quality nutrition every day.

## Corporate scorecard

Normalized net sales growth: **5.9%**

Market share growth:

**0.50% to 0.75%**  
in selected products

**On track for the year 2025** with successful acquisition of Premier Food Industries LLC and investment in Maria Fondomonte, Romania, in 2019

RONOA on net operating assets: **9.0%**

**Platinum status**  
in all categories for Nitaqat purposes

## KPIs 2020

### 1. Growth drivers:

- Defend number one position in key product categories
- Drive market share in under-indexed categories
- Launch new products
- Expand Foodservice
- Grow Exports
- Accelerate Poultry momentum

### 2. Operations / efficiency:

- Improve forecast accuracy
- Reduce wastage
- Optimize new facilities
- Improved end-to-end planning
- Pursue efficiency projects
- Complete central warehousing project
- Reduce out-of-stock

### 3. Capabilities / enablers:

- Full implementation of new structure
- No Head Office headcount growth
- Saudization, to maintain platinum in Nitaqat rating
- Leadership development across management grades
- Robust succession planning
- Upgrade systems to manage regulatory and operational changes

**Culture:**  
Quality driven, Consumer focused

# Operating environment

## Economic conditions in MENA<sup>2</sup>

The Covid-19 pandemic weighed heavily on MENA economies, with severe lockdowns in the second quarter before governments cautiously proceeded with opening up economic activity in the second half of the year.

Oil-exporting countries in the region were acutely affected by the doubled-hit of the pandemic and a sharp decline in oil demand and prices, which dropped to 20-year lows between March and April.

For oil-importing countries in MENA, mitigating effects of the pandemic have required substantial fiscal easing to balance out significant damage to most sources of revenues. The adverse impact of the pandemic has been partially mitigated by lower borrowing costs as interest rates approached zero.

Weak remittances, tourism, and trade in large regional markets such as Egypt will continue to hamper the rate of recovery, although imports will likely increase more slowly than exports in the medium term.

## Saudi Arabia's economy<sup>3</sup>

Economic growth for the Kingdom in 2020 was weak, with medium term recovery dependent on the ability of global markets to rebound, assuming eventual containment of the pandemic. The Kingdom remains intent on continuing developments for major infrastructure projects at the heart of Vision 2030, despite a freeze on tourism, both religious and non-religious, which has suppressed consumption. The tripling of VAT to 15%, effective from July 2020, weighed heavily on consumers, alongside suspension of living cost allowances to account for depleted oil revenues.

## The regional F&B market

Trends in Almarai's sector are influenced by global and regional factors, as well as local fluctuations. Broader international trends are affected by changing consumption habits and shifts in consumer sales channels, while regional trends include both of these factors, in addition to demographic and socio-economic change.

## Leading in the GCC

By navigating the regional market landscape, Almarai has sustained its healthy share of the GCC's dairy market, leading its regional peer group with a strong market share



<sup>2</sup>International Monetary Fund: Regional Economic Outlook Middle East and Central Asia (October 2020)

<sup>3</sup>World Bank: Saudi Arabia Economic Update (October 2020)



# Managing risk

## Risk management and Internal Control Framework

Almarai has defined its risk management process according to the COSO Framework principles, which define 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 an acceptable risk level. The Company's internal controls and risks are grouped within the COSO Framework categories:

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

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

## 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 internal controls over financial reporting. To this end, senior management relies primarily upon the finance function and various second line of defense functions disseminated throughout Almarai, assurance providers such as the quality audit team, 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 oversight over regulatory and compliance-related matters. The Chief Financial Officer (CFO) chairs monthly meetings of the Finance Executive Committee, which comprises of 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 Executive Management Team and the Risk 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 CFO. 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:

- Ensuring company-wide implementation of 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
- 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 reporting directly to the Chairman of the Audit Committee on all functional matters. The Internal Audit Department 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. Internal Audit Department 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, the Board and the shareholders) overall assurance of the 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 (ISO3 9001:2015, 14001:2015, 22000:2005 and 27001:2013, FSSC 22000, 45001:2018):

- Quality, Regulatory, Health, Safety, Security & Sustainability (QRHSS&S)
- Manufacturing
- Farming
- Sales Distribution & Logistics
- Information Security

### 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
- Continuous monitoring

### 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 are 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
- 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.

### Almarai's approach to risk

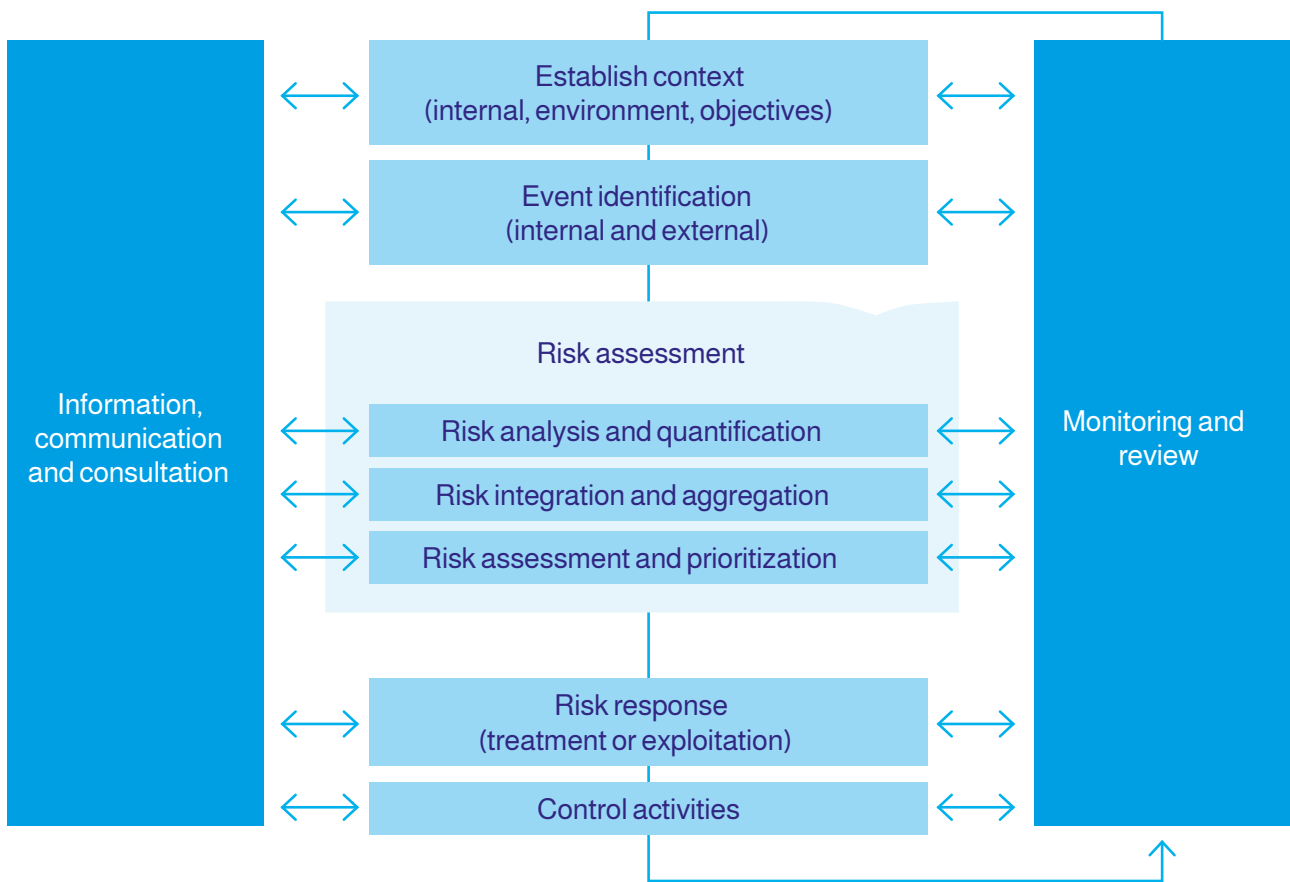
Almarai has developed a methodology to manage potential business risks. This is aligned with recognized industry standards and best practices, based on: the COSO Enterprise Risk Model – Integrated Framework, and ISO 31000:2009, Risk Management – Principles and Guidelines.

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 framework is aligned to the COSO model components and the process defined

in ISO 3100:2009. This cyclical process is supported by Almarai’s Enterprise Risk Management Function 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.

### Almarai risk management process



Aligned with industry-recognized and adopted best practice, Almarai operates a three-lines-of-defense model to ensure accountability across the Company for

governance, management and reporting of risks and the control environment.

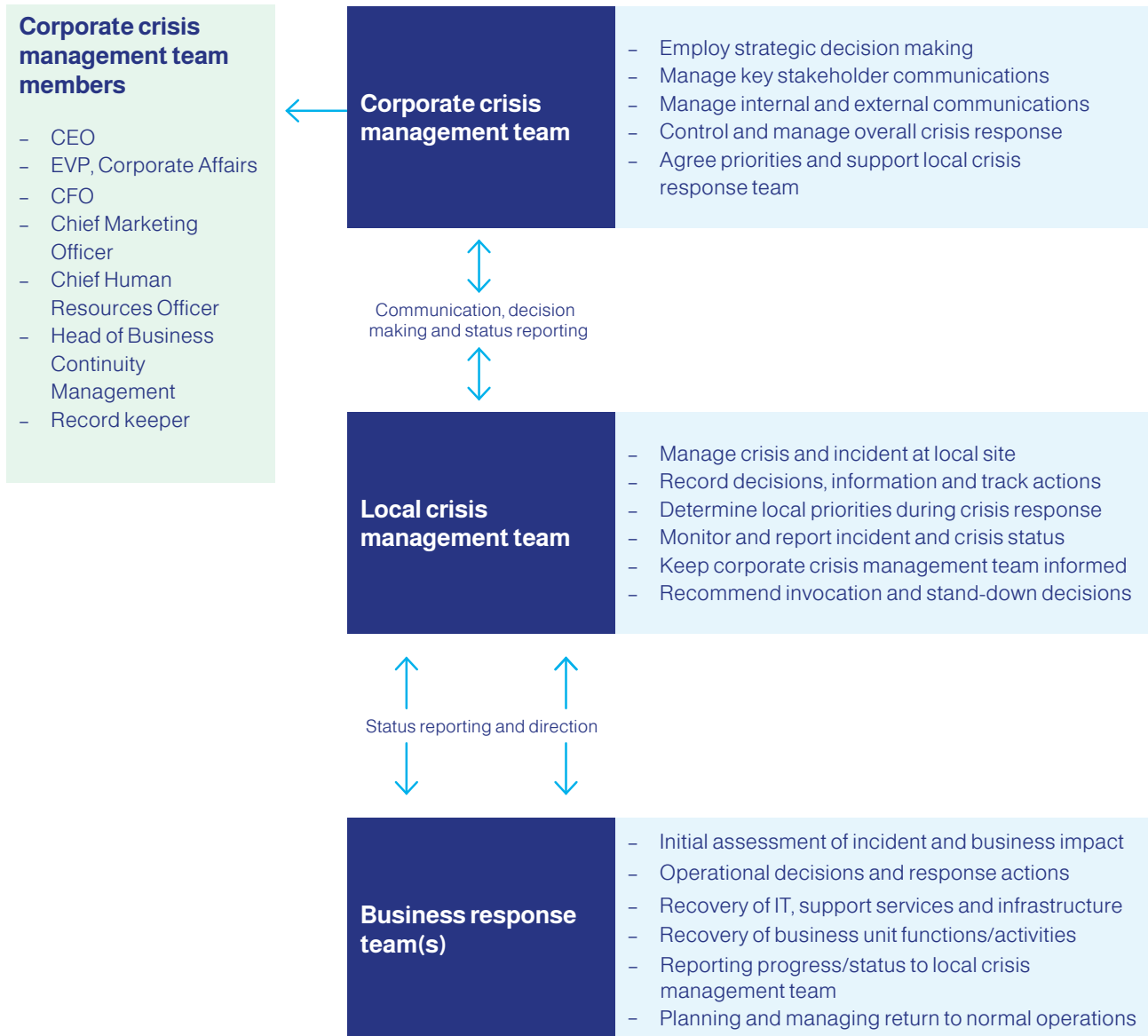
### Three-lines-of-defense model

	First Line of defense	Second Line of defense	Third Line of defense
		Almarai Board	
Board level			<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;">Risk Committee</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Audit Committee</div>
Exec. Level		<div style="border: 1px solid black; padding: 5px; display: inline-block; margin-right: 10px;">Compliance and Ethics Committee</div> <div style="border: 1px solid black; padding: 5px; display: inline-block;">Executive Risk Committee</div>	<div style="border: 1px solid black; padding: 5px; text-align: center;">Head of Internal audit</div>
Management Level	<div style="border: 1px solid black; padding: 5px; text-align: center;">Management teams</div>	<div style="border: 1px solid black; padding: 5px; display: inline-block; margin-right: 10px;">Enterprise Risk Management</div> <div style="border: 1px solid black; padding: 5px; display: inline-block; margin-right: 10px;">Quality Regulatory Safety</div> <div style="border: 1px solid black; padding: 5px; display: inline-block; margin-top: 10px;">Compliance Ethics Management</div>	<div style="border: 1px solid black; padding: 5px; text-align: center;">Head of Internal audit</div>

## Almarai Crisis Management Structure (CMT)

Almarai has developed a major incident and crisis management protocol, that 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.



## Risk monitoring

Almarai's business risk register is reviewed quarterly by the risk champions and respective Executive Vice Presidents of each business area. It is then consolidated and challenged by the Enterprise Risk Management (ERM) Department at Almarai's corporate head office.

The Enterprise Risk Management Department presents the most significant risks that Almarai faces to the Company's CEO, CFO, and all other 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 and Risk 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, Regulatory, Health, Safety and Security Department and Information Security, all contribute to the identification, analysis, and management of risks.

The Quality, Regulatory, 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 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 time frame 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
- 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 obtain reasonable assurance through various layers of review and monitoring.

# Sustainability

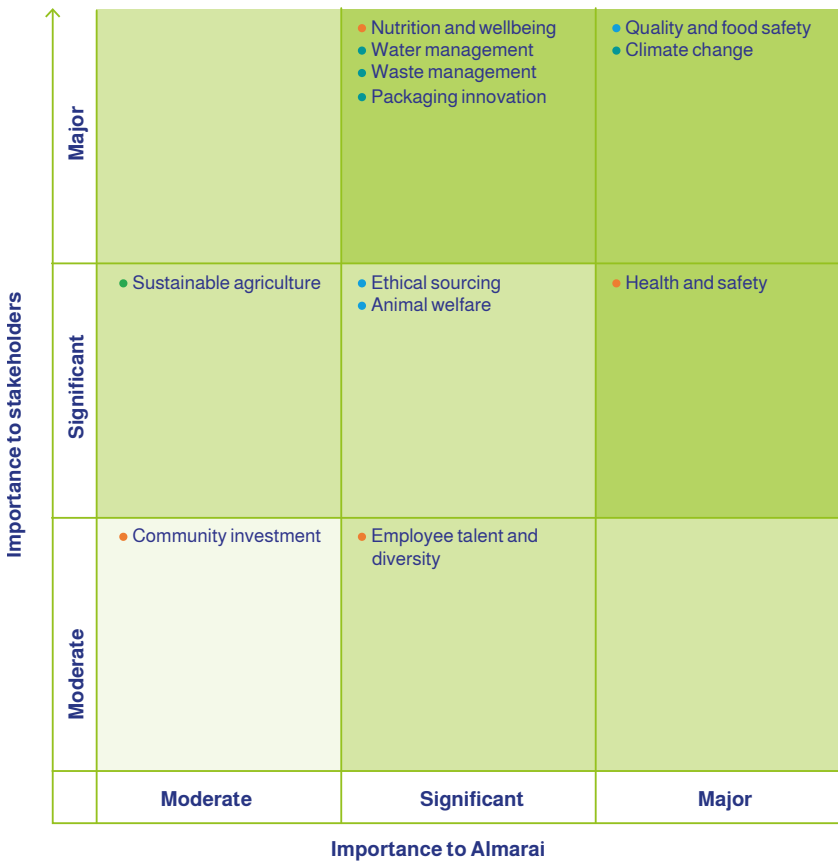
Throughout 2020, sustainability continued to play an influential role in guiding how the business operates through a long term lens. The integrated management of our social, environment and economic performance proved resilient despite market conditions. We remain committed to the three pillars outlined in the Almarai 2025 sustainability strategic plan, implementing industry-leading practices that protect both the wellbeing of our consumers and employees, while delivering true value for all stakeholders. A

comprehensive review of Almarai's sustainability strategy can be found in our 2020 Sustainability Report, available on the corporate website, which outlines our targets and milestones towards achieving sustainable performance.

## Materiality

Almarai conducted a formal materiality assessment in 2019 that engaged both internal and external stakeholders to address the most material economic, social, and environmental issues that matter most to the organization. Throughout

2020, we monitored priority issues outlined in the previous year's materiality assessment to ensure we remain on-track to deliver on our goals outlined in the Almarai 2025 commitments, with the aim of conducting another formal materiality assessment in 2021. Further information on the materiality assessment can be found in our 2020 Sustainability Report.



### Pillar theme key:

- Caring for people
- Protecting the planet
- Producing responsible products

## Sustainability framework

Almarai's sustainability framework has proven to be resilient against prevailing market headwinds, demonstrating the underlying strength of the Company's five year plan to target material issues. The three pillars that Almarai has

focused its energy towards comprise our belief system into one simple message: "Better every day". Since implementation, the framework has provided the basis for our sustainability strategy over the next five years and summarizes what sustainability means for Almarai. It

identifies areas that we endeavour to continually improve upon to ensure a more inclusive, resilient and successful business.

## Our commitments



### Caring for people

Our promise to improve the lives of those that are integral to our business success every day.



### Protecting the planet

Our promise to minimize our impact on our shared natural resources every day.



### Producing responsible products

Our promise to deliver "Quality you can trust" and enhance supply chain sustainability every day.

#### Nutrition and wellbeing

We are working to make sure that our products and communications support healthy living every day.

#### Health and safety

We are working to make sure we foster a health and safety culture among our people every day.

#### Employee talent and diversity

We are working to make sure that our people are developed, valued and included every day.

#### Community investment

We are working to make sure that we are leveraging our resources to create a positive impact every day.

#### Water management

We are working to make sure we are effectively using water resources every day.

#### Packaging innovation

We are working to make sure we reduce the impact of our packaging on the environment every day.

#### Climate change

We are working to make sure we implement more sustainable solutions to reduce our emissions every day.

#### Waste management

We are working to make sure that we are moving towards zero to landfill every day.

#### Sustainable agriculture

We are working to make sure that our agricultural practices are regenerative every day.

#### Quality and food safety

We are working to make sure our products are safe and satisfy consumers' needs every day.

#### Animal welfare

We are working to make sure that our animals are treated and handled humanely throughout their lifecycle every day.

#### Ethical sourcing

We are working to make sure we take a collaborative approach to elevate sustainability in our supply chain every day.

## Selected activities in 2020

Below are examples of initiatives taken throughout the year that highlight our commitment to sustainability, grouped into our three priority areas as a key part of our existing five-year strategic plan.

### Caring for people

- Promoting employee health and wellness:** Almarai was awarded 'Best Employee Health Initiative' at the Saudi Arabian WAI'Al Awards, organized by the Ministry of Health. The "We Care" initiative broadcasted health awareness messages to all Almarai employees through more than 100 health activities to improve mental, physical, and nutritional health.
- Training & development:** Employee professional development was revamped as the pandemic began to spread throughout the Kingdom. Training rapidly moved towards digital platforms to ensure the continued development of employees at all levels.

### Protecting the planet

- Cleaning up the Middle East:** In March, Almarai took part in the annual "Clean up UAE" Campaign alongside the Emirates Environmental Group (EEG), showing support to preserve the UAE environment and recycle raw materials away from landfill sites in the Emirates. Almarai has a longstanding relationship with EEG, offering support to clean up the Middle East for the last 30 years.

### Producing responsible products

- Prioritizing food security:** As a market leader in the Kingdom's food and beverage sector, Almarai felt a duty to its loyal customers to ensure adequate supply. At the height of the pandemic, Almarai was producing 3.8 million litres of milk and dairy products, 0.453 million Kgs of poultry products, 0.522 million Kgs of bakery products and 0.65 million litres of juice on a daily basis.

### Engagement with stakeholders

We endeavour to maintain an active dialogue with stakeholders on a continual basis, whether consumers or investors, employees, regulators and civil organizations. In so doing, we use a range of communication channels that are most appropriate to their specific interests.

Historically, the most popular of our engagement programmes has been the access we provide to the public at manufacturing facilities in Saudi Arabia. Throughout the pandemic we made the decision to lockdown all onsite facilities to ensure sustained production capabilities, restricting access for the public to visit our pioneering facilities. Regardless of the operating environment, we take pride in offering the best-in-class technology and industry-leading hygiene and safety standards that our plants comply with.



# People and culture

Our aim is to foster a positive working environment in which everyone is part of the organization’s growth, where life and work are defined by the values of the company. We have an internal culture centered around the employee’s progress and evolution. A process of continual feedback is well-established, delivering constructive guidance for strengthening the working culture. With an increasingly vibrant workplace, we have achieved better retention levels, with turnover down by 41% in absolute terms and reduced by 5.7%, from 13.8% in 2019 to 8.2% in 2020.

## WE@Almarai

Was initiated to drive a deeper communication level, create belonging across Almarai and bring us closer to our values. We always strive to create a positive working environment for our Quality Makers.

WE are proud to share these success stories which are divided into main four pillars:



## WE Pillars

Derived from our values, we constructed a set of pillars to signify and strengthen our internal culture.

### WE Evolve

Focuses on any new personal innovations, initiatives, talents including art, music, and technology.

### WE Care

Involves all employees centered approaches and activations, including promoting, well-being and a healthy lifestyle.

### WE Empower

Support our Quality Makers in their career path and achievements.

### WE Celebrate

Includes celebrating any official days on a national and international level, internal festivities.



## WE Empower our people

We believe that empowering people is the cornerstone of our organization, and so we work tirelessly to make Almarai a welcoming environment to attract the best talent, empower their growth potential, and nurture advancement.

Our journey aligns us with Vision 2030 to reach the goals of constructing a Saudi-driven workforce, empowering women, and qualified individuals from all over the world, to lead the future of Almarai, and contribute to the Saudi economy.

## WE Are One

### Our environment is accessible.

We are certified as a Gold member in Mowaamah's Certification programme, as we adopt the best standards and practices in creating work environments suitable and supportive for our quality makers with disabilities.

We are certified as a Gold and Founder member in the Qadeeron programme, an organization providing services to promote inclusivity for people with disabilities. The services support those with disabilities by equipping them with the support and tools necessary to operate as equally effective members of the workforce.

## Unlocking the potential of our future workforce

We take responsibility for ensuring the quality makers across divisions are briefed, trained and operating in accordance with their designated roles.

### Almarai Academy

The Almarai academy provides leadership development training to all management levels of the Company, identifying the leaders of tomorrow while building their skills to prepare them for future responsibilities.

The programme begins with junior leadership schemes, such as the Foundation of Personal Leadership scheme, through more advanced schemes that are more appropriate for Senior Leadership talent development, delivered in collaboration with international business schools. Senior-level courses in particular have a vital role in succession planning for positions at the top of the Company.

Due to the pandemic we successfully transferred all of our leadership development programmes to their distance learning equivalents.

### Our coaching culture

We have embedded an active culture of coaching within Almarai, introducing coaching as a concept in all of our leadership programmes, to create a holistic environment geared towards continuous learning.

### On-the-job training (OJT)

OJT training exists across the Company at all levels, from transport to warehouse operations. Training is also provided to Dairy & Food Polytechnic (DFP) candidates, who rotate through different roles on a six-month basis. In general, rotation opportunities across the business have proved their value, improving employee exposure to new opportunities and encouraging knowledge transfer between colleagues and teams. Since 2011, DFP has delivered training to 1,145 Saudi employees at Almarai, with average course satisfaction achieving 87% in the last two years (2018-2020).

### Almarai Leadership Competencies

In response to the challenges of the pandemic, we have revised our leadership competencies and we have introduced “Resourcefulness” and “Being Resilient” as additional core competencies for all levels of management.

### Almarai Graduate Development and Future Leaders Programme

The Almarai Graduate Development Programme has a long tradition at Almarai, supplying our Saudi talent portfolio, whereas the Almarai Future Leaders Programme (Management Trainee) has been in place since 2016, supporting the long term leadership pipeline.

### Almarai Co-Op and Almarai Club

Almarai Co-Op and Almarai Club are initiatives that seek to provide educational schemes to Saudi students and highlight potential career opportunities at Almarai. The Co-Op admits students to a 6-month professional learning course, while the Club provides non-financial sponsorship to up to 1,000 undergraduates. Recruits to Almarai Club have the opportunity to apply for roles at the Company ahead of graduation, while at the same time being inducted to the business and studying Almarai’s operations for their academic benefit. Both male and female students are already participating in the Co-Op and Club programmes, demonstrating the considerable promise that exists among future graduate intakes.

### Rewarding our quality makers

Almarai compensates employees in a fair and equitable manner, with the primary goal of attracting, motivating, retaining and engaging with top talent in the industry. Our compensation strategy is based on three main pillars, Internal Equity Considerations, External Competitiveness Balance, and Pay for Performance.

### Internal Equity Considerations

Almarai truly believes that fairness and equity are paramount throughout the Company. Considerations include the nature of the employee’s role within the company, overall performance for the year, geographic location and working conditions.

### External Competitiveness Balance

The Company consistently participates in market annual remuneration surveys that supports the collection of market data on salaries throughout the business. This includes remuneration trends, payment policies, and procedures that help to structure market-based job pricing.

### Pay for Performance

Alignment between employee performance and Almarai’s business targets is vital to establishing accurate and equitable remuneration. The Company seeks to reward employees based on their individual performance and contributions to the overall success of the business.

We have implemented a Performance Management Process to promote a healthy competitive environment among our team, achieving a more powerful sense of recognition – while at the same time helping the Company to effectively deliver its objectives.

In addition, the Almarai Long Term Incentives (LTI) scheme is a nomination-based annually launched share programme, designed to reward high-achieving employees. The LTI is run over three-year periods, after which nominated employees receive possible incentive payouts after the allocation year.

### Our year in numbers:



\*HC only covers KSA and GCC entities of Almarai Company.

## Strategic priorities in 2020

### Achieving centralization

In June, we kicked off the process to completely reorganize Almarai's HR function to reduce fragmentation and centralize operations. Our target was to create a hub that consolidated services and made them available to all employees across the Group.

### Our digital culture

Our digitalization approach throughout 2020 targeted the enrichment of employee personal and professional growth while supporting ongoing objectives to create an environment that promotes a culture grounded in camaraderie.

### Almarai digital platforms

- Our internal platform where our quality makers can reach all HR services online
- The WE@Almarai Mobile App where internal services are at your fingertips
- Employee relations WhatsApp service that provided to stay closer with all employees & receive their queries, suggestion & issues.
- E-learning platforms that became a top priority early in the year to further the continued evolution and development of our employees



### WE Achieved

We won the award for the best employees' health initiative of 2020 under the title (WE Care) at the level of governmental and private entities in Saudi Arabia as

part of the Waai Competition presented by the Ministry of Health in partnership with the Council of Cooperative Health Insurance.

“

This year has been unique, and we shouldn't focus on what has succeeded in the past. Today, we are moving to a digital landscape. There is a need to evolve beyond the traditional face-to-face interface and support our employees by developing their capabilities digitally. Most programmes are now delivered virtually, which has been a profound shift in the way we work. Centralization and optimization have been a key focus area for the Human Resources Department in 2020. We had the challenge of mitigating cross-departmental fragmentation and applying our developmental values to the virtual landscape in which I believe we have made meaningful strides.

### Fawaz Aljasser

Chief Human Resources Officer



# OPERATING REVIEW



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# Dairy

Our Dairy products have been at the heart of Almarai’s category range since the Company’s foundation in 1977. The business segment offers Fresh Dairy, Long Life Dairy and Dairy Foods.

## A cornerstone

Throughout 2020, Almarai maintained its GCC leadership in the wider dairy market. Demand for core dairy products (fresh and long life) increased in times of market uncertainty.

## Resilience in action

Almarai continued to deliver on its commitment to uninterrupted supply and services for core products. To mitigate the impact of the economic downturn, the Kingdom increased VAT from 5% to 15% affecting pricing for a number of dairy products.

## Established control of supplies

Potted products like Ghista and Labneh saw strong volume and revenue growth rates in the retail channels despite Covid 19 challenges. Almarai successfully addressed need for increased capacity on long life dairy via co-packing initiatives, driving growth for the segment. Improved demand forecasting and strategic inventory management allowed the company to maintain its position in all the key markets.

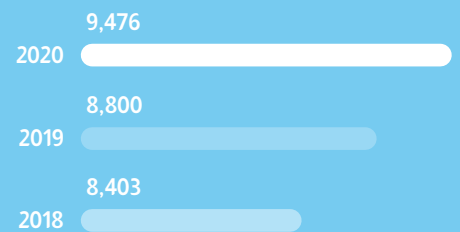
Total Dairy revenue  
Y-o-Y increased by  
**8%**

The Dairy Foods market proved resilient to headwinds and Long Life Dairy segments performed particularly well in Saudi Arabia, with improved margins, while the wholesale channel for Dairy accelerated across the entire GCC. Oman proved to be a more challenging environment with the entry of a local fresh dairy manufacturer, softening growth.

Total Dairy revenue for 2020 was

**SAR 9,476 million**  
as compared with  
**SAR 8,800 million** in 2019.

## Dairy Revenues (SAR million)



## New products in 2020

Greek Drinking Yoghurt (250ml)

Hummus (250g)

Honey (250g, 500g, 950g)



# Juice

Almarai’s juices are distributed across the GCC, Egypt and Jordan, with a wide range that includes juices, nectars and not-from-concentrates, as well as products for children. The Juice portfolio also includes products marketed by IDJ in Egypt and Jordan, with Almarai offering a total of more than 30 flavours.

### Meeting the challenge

In 2020, Juice accounted for 9% of Almarai’s total revenues, with Saudi Arabia accounting for 58.5% of the GCC market, followed by the UAE with a 16.0% contribution. The marketplace remained fragmented, with limited consolidation.

The wider juice market has experienced sustained pressure, following muted activity in the preceding year. Significant challenges, both regulatory and macroeconomic, have softened growth prospects for the segment. The Government introduced a sugar tax of 50% on RSP which combined with an increased VAT to 15% in KSA has created challenges for existing pricing strategies.

### Commitment to delivery

Despite market headwinds, Juice business units continue to exceed targets, delivering healthy margins, revenues and overall volumes. Sustaining revenue growth has been a key driver of activity throughout the year. Through the division’s commitment to driving brand equity across the category, revenue growth for the year stood at 2.7%, with an acute focus on reducing costs.

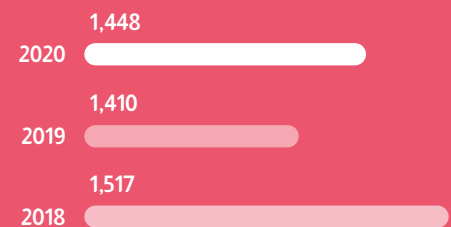
### Leadership in a diverse marketplace

In the GCC, Almarai’s market share held up well. In Saudi Arabia, we maintained an 18% share of the total juice segment and 42% of the fresh juice segment. Total Juice revenues for 2020 were SAR 1,448 million, as compared with SAR 1,410 million in 2019.

**SAR  
1,448  
million**

total Juice revenues in 2020

### Juice Revenues (SAR million)



## New products in 2020

Mixed Fruit Lemon (NAS) 200ml, 300ml, 1L, 1.5L

Mixed Berry (NAS) 200ml, 1.5L

Mango & Grapes (NAS) 200ml, 300ml, 1.5L

Mixed Fruit 100% (NAS) 200ml, 300ml, 1.5L

Mixed Fruit Kiwi (NAS) 200ml, 300ml, 1.5L

Mixed Fruit Guava (NAS) 200ml, 1.5L

Farm's Select Andalusian Orange (NAS) 250ml, 1L



# Bakery

Almarai’s L’usine brand, along with 7DAYS (a JV with Chipita and Olayan Group), offer a range of sweet and savoury baked goods to consumers throughout GCC markets. The Bakery category is characterized by innovation and diversification.

## Quality matters

Almarai’s bakery business remains number one in the Saudi market despite market volatility resulting from the pandemic, without any reductions to quality or sourcing the highest quality local and international raw materials for production. As a result of Covid-19, the bakery business adopted even stricter quality testing to ensure that consumers were protected.

Almarai brands account for

**52.5%**

of market share in Saudi Arabia, increasing by

**0.5%** in 2020.

## Household market drivers

In 2020, Bakery accounted for 11% of Almarai’s total revenues. Bread was the top performing category, achieving significant volume growth, while reduced appetite from consumers for on-the-go products coupled with increased VAT measures put pressure on pricing strategies for products. Demand for in-home items across all categories saw solid growth.

Prevailing market conditions proved to be a major influence in consumer spending habits throughout 2020. Almarai’s priorities quickly shifted towards food security rather than outright growth, providing

customers with access to staple products. As people remained at home throughout the lockdown period, the bread and treat segments saw marked growth. Conversely, snacks were negatively impacted by the measures, primarily as an out of home consumption category, and this area will be a priority for recovery in 2021.

## Promising growth dynamics

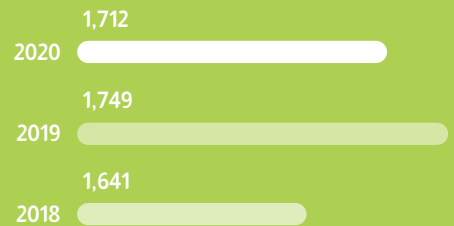
The introduction of new SKUs was postponed for the year, along with the innovation plan, to protect the supply of core products in the region. Despite a number of underperforming segments for the year, total volume growth for the bakery business was positive for 2020. Foodservice witnessed muted activity throughout the period, and a key objective for 2021 will be to grow Almarai’s presence in this sector while exciting consumers through new product innovations.

In 2020, Bakery accounted for

**11%**

of Almarai’s total revenues.

## Bakery Revenues (SAR million)





# Poultry

The fresh Poultry range, under the Alyoum and the Albashayer-value brand, comprises fresh whole chickens and portion packs, as well as a fresh value-added range of marinated chicken and chicken parts, and minced chicken.

## Robust market leadership

In 2020, the Poultry business accounted for 15% of Almarai's total revenues. A major highlight of the year was the reveal of the business units new brand identity, "Always Fresh". The Alyoum brand maintained its leadership position in the Saudi market, with 36% of value share. Total Poultry revenues increased by 8% to reach SAR 2,293 million, and total output for the year was 195 million birds, increasing by 3%. Approximately 60% of fresh poultry sales were to retail channels, with Foodservice channels continuing to make progress, becoming a trusted partner for operators and HORECA customers.

Total Poultry revenues reached

**SAR 2,293 million**

and total output for the year was 195 million birds, increasing by

**3%**

Poultry achieved solid growth during 2020, especially in the retail segment, growing its contribution from 50% in 2019 to 60% in 2020. A key highlight was Almarai's commitment to food security, navigating the Covid-19 crisis by ensuring only the highest quality poultry met demand from consumers in the GCC each and every day.

## A positive future

Looking ahead to 2021, the Poultry business will focus on improving core competencies to maximize returns, as the pandemic tested capabilities to run at the highest possible capacities. Almarai aims to consolidate leadership in the GCC behind the Alyoum brand, strengthening the Company's overall fresh offering and optimizing value, while driving conversion away from frozen products.

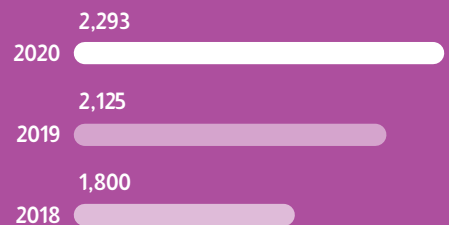
**26%**

Fresh retail volume growth compared to

**17%**

in 2019.

## Poultry Revenues (SAR million)



## New products in 2020

Chicken breast cubes (400 g)

Chicken breast strips (400g)

Whole Chicken Marinated Kabsa & Italian (800g)

Whole Bird pack (fully sealed)





# GOVERNANCE



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# Board of Directors



**HH Prince Naif Bin Sultan Bin  
Mohammed Bin Saud Al Kabeer**  
Chairman



**Mr. Sulaiman A.K. Al Muhaidib**  
Vice Chairman



**Mr. Bader Abdullah Al Issa**  
Managing Director



**Mr. Ammar Bin Abdulwahid Alkhudairy**  
Director



**Eng. Anees Ahmed Moumina**  
Director



**Mr. Saad Bin Abdulmohsen Al Fadly**  
Director



**HH Prince Saud Bin Sultan Bin  
Mohammed Bin Saud Al Kabeer**  
Director



**Mr. Sultan Abdulmalik Al-Sheikh**  
Director



**Mr. Peter Amon**  
Director

### **HH Prince Naif Bin Sultan Bin Mohammed Bin Saud Al Kabeer, Chairman**

Prince Naif is a seasoned businessman. His highness holds a bachelor's degree in business administration & Marketing from King Saudi University in 1999. In addition to being the chairman of Almarai company, he is the chairman for several other reputable companies including Zain, Arabian Shield, Global Downstream Industries, Global Chemical Industries. He is also a board member of numerous companies such as Yamama Cement, Faraby Al Khaleej Petrochemical, Tejoury Company, The Ideal Factory.

### **Mr. Sulaiman A.K. Al Muhaidib, Vice Chairman**

Mr. Sulaiman A.K. Al Muhaidib is the Chairman of Al Muhaidib Group. He is also the Chairman of Savola Group, RAFAL Real Estate Development Company.

In addition, he sits in the Board of Directors of Vision Invest, ACWA Power International, King Salman Center for Disability Research and Prince Fahad Bin Salman Charity Association for Renal Failure Patients Care.

### **Mr. Bader Bin Abdullah Al Issa, Managing Director**

Mr. Al Issa is the Managing Director of Almarai Company and the CEO of Assila Investments. Moreover, he is the Vice Chairman of Savola Group and serves on a number of Boards including Banque Saudi Fransi, Dur Hospitality among others.

Bader is a CFA charterholder and holds a BA in Economics at the University in Virginia and an MBA from Rice University in the United States.

### **Mr. Ammar Bin Abdulwahid Alkhudairy, Director**

Ammar A. Alkhudairy has been serving as Chairman of Samba Financial Group since January 2019. Prior to Samba, he played key leadership roles in various Saudi financial institutions such as Riyadh Bank, United Saudi Bank, and Banque Saudi Fransi. In addition, Alkhudairy served as a Board Member from 2015 to 2018, Chairman of the Audit Committee from 2015 to 2018, and was the interim Managing Director/CEO from October 2017 to March 2018 at Banque Saudi Fransi. Alkhudairy's expertise, which spans over 30 years in the financial sector, focused on areas such as Corporate Banking, Project Finance, Corporate Finance, M&A, and Asset Management. Alkhudairy has also served in various public and private board memberships, including Chairmanship of Goldman Sachs Saudi Arabia, Chairmanship of Morgan Stanley

Saudi Arabia, SAVOLA, Kingdom Holdings, Herfy, Al Tayyar, Chairmanship of Allianz Saudi Arabia, Deputy Chairman of SPIMACO, and board member of Almarai. He founded and chaired Amwal AlKhaleej and Amwal Capital Partners, an alternative assets management business based in Riyadh and DIFC. He also served as a director in government-related entities, including the Economic Cities Authority. Alkhudairy earned an M.Sc. in Engineering Administration and B.Sc. in Civil Engineering from George Washington University.

### **Engr. Anees Bin Ahmed Moumina, Director**

Anees is currently the Group CEO of Savola Group and has over 25 years of experience in the private sector and the financial services industry. He was previously the CEO of SEDCO Holding Group. Previously he was the General Manager and Senior Credit Officer of Samba Financial Group. Additionally, he also worked with Procter & Gamble Co. He is serving on a number of boards as Vice Chairman of the following companies: Savola Food, Panda Retail, Herfy Foods, United Sugar, Afia International, Al Kabeer, Savola World, and as Board Member of the following companies: Knowledge Economic City, The National Commercial Bank, and Dr. Suliman Fakeeh Hospital. In addition, he also serves as a board member on other charity, and community organizations.

He holds a Master of Science in Engineering Administration and a Bachelor of Science in Civil Engineering both with honors from George Washington University-USA.

### **Mr. Saad Bin Abdulmohsen Al Fadly, Director**

He holds master's degree in financial economics, with more than 20 years of experience in investment management, Investment Banking, risk control and corporate governance with Solid educational and training background.

### **Prince Saud Bin Sultan Bin Mohammed Bin Saud Al Kabeer, Director**

A business administration graduate of King Fahad University of Petroleum and Minerals. He is also a board member at Aldar Chemicals Company and Chairman of Export 30. Prince Saud joined Almarai in a role within the marketing department following two years of working at Banque Saudi Fransi.

**Mr. Sultan Abdulmalik Al-Sheikh, Director**

Mr. Sultan Abdulmalek Al-Sheikh is a Director at the Local Holdings Investment Division at the Public Investment Fund of Saudi Arabia (PIF) since 2015. He is also a Board and Committee member of Almarai Company, Gulf International Bank B.S.C.& Gulf International Bank - Saudi Arabia, Tahakom Investment Company, Saudi Company for Exchanging Digital Information (Tabadul), and The Helicopter Company (ended 31 Jan. 2021), Saudi Fisheries Company (ended 24 Oct 2020). Al-Sheikh is also an Executive Committee member at the Saudi Telecom Company.

Prior to joining PIF, Mr. Al-Sheikh held key positions in reputable financial institutions. He served as an Associate and Vice President of Investment Banking at Saudi Fransi Capital. Mr. Al-Sheikh also worked as an Officer in the Securities Listing Department at the Saudi Capital Market Authority (CMA) and as a Relationship Manager at the National Commercial Bank (NCB) of Saudi Arabia. Mr. Al-Sheikh has an extensive experience in finance, with a focus on advising on a range of different ECM transactions including IPOs, rights issues and M&A. In addition to possessing 16 years of professional experience in financial institutions, Mr. Al-Sheikh holds a Master of Science in Finance from The George Washington University, USA and a Bachelor of Science in Finance from King Fahad University of Petroleum & Minerals, Saudi Arabia.

**Peter Amon, Director**

Mr. Amon is an international senior FMCG Executive with over 27 years of experience working for leading consumer goods companies, Unilever, Kraft & Nestlé and for a global professional service company, Aramark. He has a proven track record in building winning brands & services globally, successful innovation management and internationalization of businesses. In his previous position he was the Head of Global Food for Nestlé Professional. He is currently a Supervisory Board Member & Executive Director of More-Than-Meals (MTM), Luxembourg.

Mr. Peter Amon holds a MBA degree from the University of Würzburg, Germany.

# Executive management

## **Abdullah Al Bader,** Executive Vice President – Bakery

Abdullah Al Bader is the Executive Vice President for Bakery in Almarai leading L'usine and 7DAYS. Prior to being appointed to this position, he held several roles across the company and has been involved in a wide range of business sectors since the year 2000. Abdullah has been involved with the manufacturing, distribution, sales, marketing and corporate teams during his tenure at Almarai. He holds a Master's degree in Business from Leicester University, UK.

## **Andrew Mackie,** Executive Vice President – Farming

Andrew Mackie is the Executive Vice President for Farming in Almarai through which he is responsible for the global farming operations for Dairy, Poultry and Arable Farming. Andrew joined Almarai in 1977, after which he held several positions in the farming sector of the business. He was the General Manager of Farming from 1998 after serving as the Regional Manager of Farming. Andrew holds a qualification from the West of Scotland Agricultural College, UK.

## **Danko Maras, Chief Financial Officer / Investment Committee Secretary**

Danko Maras was appointed as Almarai's CFO effective 6 April 2020. He is an experienced financial professional with senior international positions in the fast-moving consumer goods industry such as Unilever, Leaf and Cloetta, where in addition to being Group CFO, he also has held positions such as CEO and President.

He holds a GMP from Harvard Business School (HBS) and a Bachelor of Science in Business Administration and Economics, Uppsala University

## **Faisal Alfahadi, Executive Vice President – Corporate Affairs**

Faisal Alfahadi is the Executive Vice President of Corporate Affairs for Almarai where he leads on all corporate and government affairs throughout the organization and its investment portfolio. During his tenure at Almarai he has held several senior positions, including General Manager Human Resources and Support Services and General Manager of Juice Business. Faisal was awarded a Master's degree in Marketing from the University of Salford, UK.

## **Fawaz Aljasser, Chief Human Resources Officer**

Fawaz Aljasser is the Chief Human Resources Officer for Almarai and is responsible for the general management and running of Almarai's Human Resources and Support Services unit. He has held several positions throughout his time at Almarai including, Director of the Dairy and Food Polytechnic, and has also served as the General Manager of Teeba, a joint venture of Almarai's based in Jordan. Fawaz was awarded a Bachelor of Arts in English Literature from the Imam Mohammed Bin Saud University, KSA, and holds a postgraduate diploma from Leicester University, UK.

## **Hussam Abdulqader, Chief Marketing Officer**

Hussam Abdulqader is Almarai's Chief Marketing Officer. His responsibility spans over Branding, Product and Packaging Development and Innovation, Marketing Services, Corporate and Marketing Communications and Public Relations. Since joining Almarai in 2003, he held several positions across a range of the company's divisions, including Marketing Services Manager, Marketing Manager, General Manager of Marketing, CEO of MFI, a joint venture of Almarai and Chipita, CEO of Teeba, the Jordan operation of the JV of Almarai and PepsiCo.

Prior to joining Almarai, Hussam worked for Nielsen as Head of Retail Measurement Services for the Gulf Cooperation Council (GCC). He holds a Bachelor of Arts in Business Administration from Amman Private University, Jordan.

## **Michael McDonald,** Executive Vice President of Poultry

Michael McDonald was appointed Executive Vice President of Poultry in January 2020, prior to which he held the role of Head of Business Unit Poultry. Michael joined Almarai in 2000, during his time he has held several positions within the Almarai Farming and Poultry divisions. He holds a Higher National Diploma from Greenmount Agricultural College, Postgraduate Certificate in Food Safety and Security from Queens University Belfast, as well as a Master's in Business Administration from Liverpool University, UK.

**Mohammed Al Shuhail,**  
Executive Vice President – Food Service

Mohammed Al Shuhail is the Executive Vice President of Food Service and manages the Almarai portfolio within B2B operations (HoReCA). Mohammed joined the company as Chief Executive Officer of the International Pediatric Nutrition Company (IPNC). Prior to this, he worked in Al Safi Danone and Danone Group in the Middle East and Spain, holding several key positions. These included CEO of Al Safi Dairy Company, where he built a sustainable B2B business model, and EVP of Human Resource of Alsafi Danone Company, Head of Export where he developed the company's portfolio and opened new International markets and managed different brands in the marketing department. In addition, he was the Innovation Manager at Danone Dairy Company in Spain. Mohammed was awarded an Executive MBA from London Business School (LBS), UK, and holds a Bachelor of Science in Marketing from King Fahad University of Petroleum and Minerals (KFUPM).

**Niall Mackay,** Executive Vice President – Sales, Distribution and Logistics

Niall Mackay is the Executive Vice President of Sales, Distribution and Logistics for Almarai, a role in which he is responsible for the overall Almarai distribution supply chain and logistics alongside sales and product merchandizing. Prior to joining Almarai he held senior operational positions at Pedigree Pet Foods (a part of Mars Inc.), Coca-Cola Enterprises, British Bakeries (part of Rank and Hovis McDougal) and Royal Mail, UK. Niall was awarded a Master's degree in Chemical Engineering from Imperial College, UK, and holds an MBA from Henley Management College, UK.

**Omar Salim,** Executive Vice President – Dairy and Juice

Omar Salim is the Executive Vice President for Dairy and Juice, a role in which he is responsible for all Dairy and Juice business units in the company. Prior to joining Almarai, he worked for Mars Inc. as Director of Marketing for the Africa, India and Middle East regions and he also worked at Procter and Gamble across many regions in its research and development team. When he first joined Almarai he was appointed to the position of General Marketing Manager. Omar holds a Master's degree in Industrial Engineering from the University of Oklahoma, the United States of America.

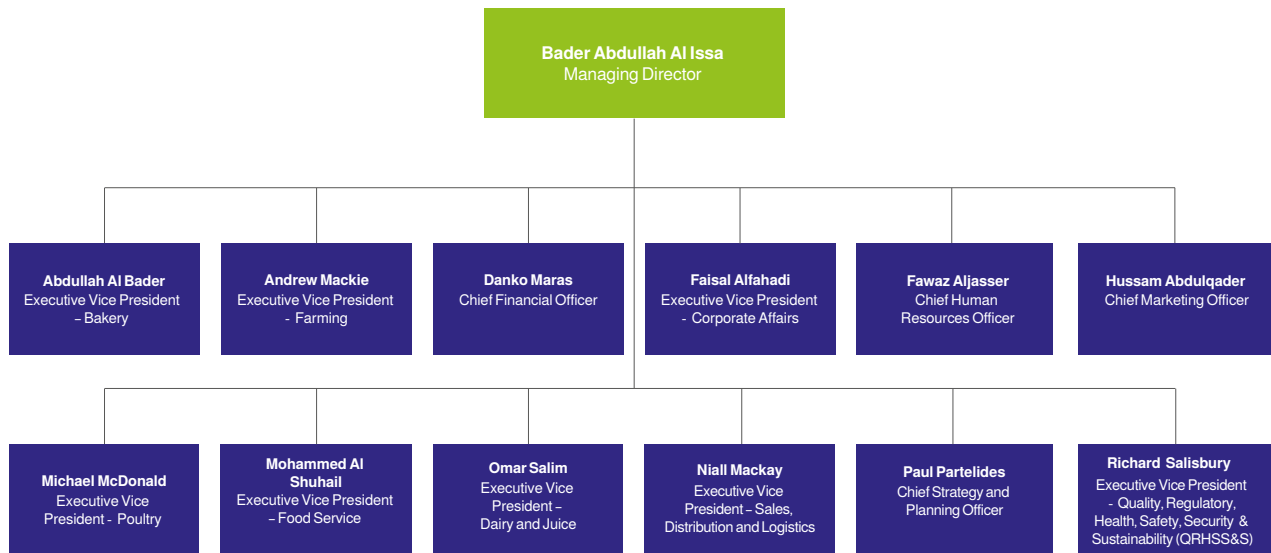
**Paul Partelides,** Chief Strategy and Planning Officer

Paul Partelides is the Chief Strategy and Planning Officer for Almarai, leading the company's Strategic business unit with responsibility for Strategy and Mergers & Acquisitions (M&A) for existing and new businesses and markets. Prior to joining Almarai, Paul was Director of Global Strategy and Development at INVISTA and was responsible for growing the international scope of the business both organically and via M&A. Paul holds an MBA from INSEAD and a Bachelor of Science in Economics. He started his career at KPMG, where he qualified as a Chartered Accountant.

**Richard Salisbury,** Executive Vice President – Quality, Regulatory, Health, Safety, Security and Sustainability

Richard Salisbury is the Executive Vice President for Quality, Regulatory, Health, Safety, Security and Sustainability. In this role it is his duty to protect and develop the Almarai brand and business by leading and safeguarding Almarai's principles for Sustainable Excellence by implementing business strategies in line with the company's overall strategy. Prior to joining Almarai, Richard worked at Britvic Soft Drinks, where he held various positions in Product Development, Packaging Development and Project Management. He holds a Food Science and Technology qualification awarded by Seale-Hayne Agricultural College, UK.

# Almarai Organizational Chart



# Tadawul Announcements

Almarai announced a number of events and strategic activities throughout the year. 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, 16 announcements were made to shareholders. The following table summarizes the announcements by date, type and subject.

No.	Date	Announcement Type	Title of Announcement
1	19 January 2020	Financial Results	Almarai Company announces its Annual Consolidated Financial Results for the year ended 31 December 2019 (12 months)
2	8 March 2020	Invitation to AGM	The Board of Directors of Almarai Company invites the Shareholders to the Extraordinary General Assembly Meeting (the First Meeting)
3	10 March 2020	Notice to Shareholders	Almarai Company announces resignation of the Chairman of the Board of Directors, appointment of new Board Member and appointment of a new Chairman of the Board of Directors
4	10 March 2020	Notice to Shareholders	Addendum announcement from Almarai Company in regards to financial impact of the change in subsidy
5	11 March 2020	Invitation to AGM	Almarai Company announces the addition of an item to the agenda of the Extraordinary General Assembly Meeting (First Meeting)
6	29 March 2020	Invitation to AGM	Almarai Company announces the latest developments regarding the Board of Directors of Almarai Company. Invitation to the Shareholders to the Extraordinary General Assembly Meeting (The First Meeting)
7	31 March 2020	Electronic Voting of AGM	Almarai Company announces to its Shareholders the Starting Date of the Electronic Voting on the Agenda Items of the Extraordinary General Assembly Meeting (The First Meeting)
8	1 April 2020	Notice to Shareholders	Almarai Company announces the reception of its SAR 787 Million Sukuk – Series II
9	5 April 2020	Financial Results	Almarai Company announces its condensed Consolidated Interim Financial Results for the period ended 31 March 2020 (3 months)
10	6 April 2020	Notice to Shareholders	Almarai Company announces the appointment of a New Chief Financial Officer
11	6 April 2020	Invitation to AGM	Almarai Company announces the results of the Extraordinary General Assembly Meeting (The First Meeting)
12	7 April 2020	Notice to Shareholders	Almarai Company announces Poultry Category Thrust and confirming its full commitments towards achieving Food Security
13	5 July 2020	Financial Results	Almarai Company announces its condensed Consolidated Interim Financial Results for the period ended 30 June 2020 (6 months)
14	4 October 2020	Financial Results	Almarai Company announces its condensed Consolidated Interim Financial Results for the period ended 30 September 2020 (9 months)
15	17 November 2020	Notice to Shareholders	Almarai announces the resignation of the CEO of the Company and appointment of a new Managing Director of the Company.
16	15 December 2020	Notice to Shareholders	Recommendation of Cash Dividend for The Financial Year 2020 by the Board of Directors of Almarai Company

# 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 after elimination of all significant inter-group balances and transactions. Minority interests represent the portion of

Name of Subsidiary	Country of Incorporation	Business Activity
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Dormant
Almarai Agricultural and Livestock Production Company Limited	Saudi Arabia	Dormant
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company
Almarai Construction Company Limited	Saudi Arabia	Dormant
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Dormant
Almarai Investment Company Limited	Saudi Arabia	Holding Company
Artas United Limited Company	Saudi Arabia	Transportation and Storage Company
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
Hail Agricultural and Livestock Production Company Limited	Saudi Arabia	Dormant
International Baking Services Company Limited	Saudi Arabia	Dormant
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant
Modern Food Industries Company Limited	Saudi Arabia	Bakery Company
Nourlac Company Limited	Saudi Arabia	Dormant
Premier Food Industries Company L.L.C	Saudi Arabia	Manufacturing and Trading Company
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Agro Terra S.A.	Argentina	Dormant
Fondomonte South America S.A.	Argentina	Agricultural Company
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company
International Dairy and Juice Limited	Bermuda	Holding Company
Beyti For Importation and Exportation Company L.L.C.	Egypt	Trading Company
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company
International Dairy and Juice Farm Egypt (S.A.E.)	Egypt	Liquidated Company
BDC Info Private Limited	India	Operations Management
Markley Holdings Limited	Jersey	Dormant
Al Atheer Agricultural Company	Jordan	Livestock / Agricultural Company
Al Muthedoon for Dairy Production	Jordan	Dormant
Al Namouthjya for Plastic Production	Jordan	Dormant
Al Rawabi for Juice and UHT Milk Manufacturing	Jordan	Manufacturing Company
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company
Alyoum for Food Products Company L.L.C.	Oman	Dormant
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company
Fondomonte Inversiones S.L.	Spain	Holding Company
Hail Development Company Limited	Sudan	Dormant
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company
BDC international L.L.C.	United Arab Emirates	Operations Management
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Under Liquidation
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company
Fondomonte California L.L.C.	United States of America	Agricultural Company
Fondomonte Holding North America L.L.C.	United States of America	Holding Company
Hayday Farm Operation L.L.C.	United States of America	Agricultural Company

a) direct ownership means directly owned by the company or any of its subsidiaries

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.

#### Ownership Interest

2020		2019		Share Capital	Number of Shares Issued
Direct (a)	Effective	Direct (a)	Effective		
52%	52%	52%	52%	SAR 25,000,000	250
100%	100%	100%	100%	SAR 1,000,000	1,000
100%	100%	100%	100%	SAR 200,000,000	20,000,000
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
100%	100%	N/A	N/A	SAR 10,000	100
100%	100%	100%	100%	SAR 300,000,000	30,000,000
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
100%	100%	100%	100%	SAR 3,000,000	3,000
100%	100%	100%	100%	SAR 500,000	50,000
94%	94%	94%	94%	SAR 46,500,000	465,000
100%	100%	100%	100%	SAR 200,000,000	200,000
100%	100%	100%	100%	ARS 5,097,984	5,097,984
100%	100%	100%	100%	ARS 2,211,988,598	2,211,988,598
100%	100%	100%	100%	BHD 100,000	2,000
99%	99%	99%	99%	BHD 34,450,000	344,500
52%	52%	52%	52%	BHD 250,000	2,500
52%	52%	52%	52%	USD 7,583,334	7,583,334
52%	52%	52%	52%	EGP 2,000,000	2,000
52%	52%	52%	52%	EGP 3,802,366,670	380,236,667
52%	52%	52%	52%	EGP 3,233,750,000	323,375,000
-	-	52%	52%	EGP 1,000,000	100,000
100%	100%	100%	100%	INR 2,750,680	275,068
100%	100%	100%	100%	GBP 5,769,822	5,769,822
52%	52%	52%	52%	JOD 750,000	750,000
52%	52%	52%	52%	JOD 500,000	500,000
52%	52%	52%	52%	JOD 250,000	250,000
52%	52%	52%	52%	JOD 500,000	500,000
52%	52%	52%	52%	JOD 21,935,363	21,935,363
100%	100%	100%	100%	OMR 20,000	20,000
90%	90%	90%	90%	OMR 150,000	150,000
100%	100%	100%	100%	EUR 138,505,946	138,505,946
100%	100%	100%	100%	SDG 100,000	100
100%	100%	100%	100%	AED 300,000	300
100%	100%	100%	100%	AED 200,000	200
52%	52%	52%	52%	USD 22,042,183	22,042,183
100%	100%	100%	100%	USD 500,000	50,000
100%	100%	100%	100%	-	-
100%	100%	100%	100%	USD 500,000	50,000
100%	100%	100%	100%	-	-

# Share Price and Shareholder Information

## Almarai Shareholdings

As of 31 December 2020, Almarai had 50,138 shareholders. Corporate investors represent 67.2% of the total share ownership, while individual investors represent 32.8%.

There are 32 shareholders owning one million or more shares in Almarai, representing 88.4% of the issued shares. The following tables provide an overview of Almarai's investors:

Almarai Investors according to Nature of Investor	31 December 2020		
	Percentage of Ownership	Number of Investors	Number of Shares
Corporate investors	67.2%	542	671,778,913
Individual investors	32.8%	49,596	328,221,087
<b>Total</b>	<b>100.0%</b>	<b>50,138</b>	<b>1,000,000,000</b>

Almarai Investors according to Nationality	31 December 2020		
	Percentage of Ownership	Number of Investors	Number of Shares
Saudi	94.5%	49,061	944,529,303
Other nationalities	5.5%	1,077	55,470,697
<b>Total</b>	<b>100.0%</b>	<b>50,138</b>	<b>1,000,000,000</b>

Almarai Investors according to Investor Type	31 December 2020	
	Percentage of Ownership	Number of Investors
SAVOLA Group	34.5%	1
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	23.7%	1
Governmental and quasi-governmental institutions	22.7%	5
Other individuals	9.1%	49,595
Companies	3.1%	88
Mutual Funds	3.0%	156
Swap agreements	0.1%	11
Other Corporate	3.7%	281
<b>Total</b>	<b>100.0%</b>	<b>50,138</b>

Almarai Investors according to Size of Ownership	31 December 2020	
	Percentage of Ownership	Number of Investors
One million shares and more	88.4%	32
From 500,000 to less than one million	2.5%	33
From 100,000 to less than 500,000	3.1%	150
From 50,000 to less than 100,000	1.0%	142
From 50,000 to less than 100,000	1.9%	848
From 5,000 to less than 10,000	0.5%	783
From 1,000 to less than 5,000	1.4%	8,021
Less than 1,000 shares	1.2%	40,129
<b>Total</b>	<b>100.0%</b>	<b>50,138</b>

## Ownership Notification

According to Article 68 of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (CMA), during 2020, Almarai

received no new notifications of new ownership percentage of more than 5% of the shares issued to the Company. The following table outlines ownership of 5% or more of the issued shares:

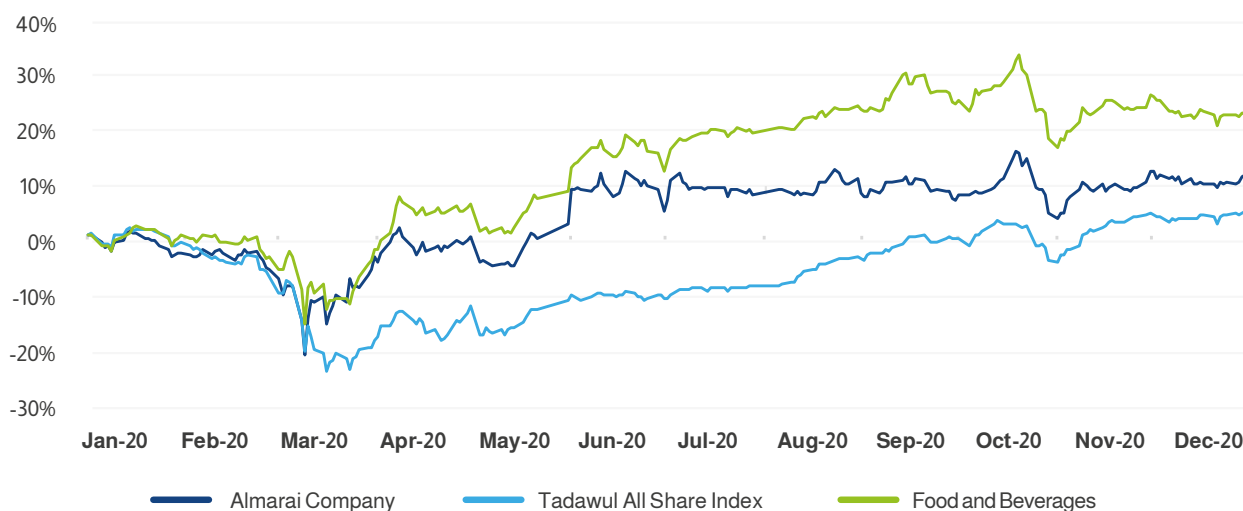
Ownership of 5% and more of the issued shares	Beginning of the Year		End of the Year	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Savola Group	345,218,236	34.5%	345,218,236	34.5%
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	236,956,536	23.7%	236,956,536	23.7%
Public Investment Fund	163,233,480	16.3%	163,233,480	16.3%
<b>Total</b>	<b>745,408,252</b>	<b>74.5%</b>	<b>745,408,252</b>	<b>74.5%</b>

Number of Company's Requests of Shareholders Records	Date of Request	Reason for the Request
1	06-Feb-20	Periodic Reports
2	05-Apr-20	Dividends Distribution
3	07-Apr-20	Dividends Distribution
4	05-May-20	Periodic Reports
5	05-May-20	Periodic Reports
6	08-Jun-20	Periodic Reports
7	19-Jul-20	Periodic Reports
8	08-Oct-20	Periodic Reports
9	31-Dec-20	Periodic Reports

## Share Data Performance (SAR)

Share price 31 December 2020	Share price 1 year ago	Share price 3 years ago	52-week high	52-week low	Change from 2019-2020
54.90	49.50	53.75	58.40	36.50	10.9%

## Share Price Performance During the Year of 2020



# Main Transactions

## Investments and Other Events

### First Brand to receive Pandemic-Prepared Certification

Almarai was the first brand in the world to obtain a Pandemic Prepared Certification from AIB International due to application of Company's best practices for food safety in times of epidemics.

The certification confirms the Company's readiness and ability to adhere to industry-recognized best practices for supporting food safety and quality, employee health, the supply chain, and consumers.

It also allows the Company to show both customers and consumers its reinforced commitment to providing world class food and beverage products, even under the most challenging circumstances.

### Poultry Category Thrust and confirming its full commitment towards achieving Food Security

At the Board of Directors meeting held in April 2020, the Board re-affirmed Almarai's objective to deliver its "Quality you can trust" commitment to consumers.

Whilst being an integral part of the National Food Security system, Almarai understands that "Our responsibility is bigger". In that spirit, the Board of Directors has confirmed an ambitious plan to expand within the Poultry segment and has approved an investment of SAR 275 million to expand the existing processing facilities, and also approved the development of grandparent farming and production facilities to enable a full vertical integration of the poultry supply.

In addition to the above, Almarai's management will undertake a comprehensive study to assess any potential further expansion into basic food categories that will contribute to the Food Security agenda.

### Local Sukuk Redemption

On 31 March 2020 Almarai settled its second Sukuk Series II issuance amounting SAR 787.0 million at par.

### Capital Expenditure (CAPEX)

CAPEX incurred in 2020 was SAR 969 million. The downward trend is mainly due to the pandemic effect globally, which will be resumed in coming years.

The reduction in the CAPEX marks the last few years of a 10 year investment cycle for the Company and capacity building efforts.

Investment was distributed as follows:

- Manufacturing and Farming spent CAPEX of approximately SAR 0.5 billion for various capacity expansion projects including poultry plant expansion
- Sales Depot, Poultry and Logistics expansion accounted for approximately SAR 0.3 billion
- Replacement and other CAPEX including IDJ accounted for approximately another SAR 0.2 billion

# Important Events in 2021

**\*Subject of Announcement**

11 - 18 April 2021	Announcement of the Interim Consolidated Financial Results for Q1 2021
13 April 2021	The Extraordinary General Assembly meeting
18 - 29 April 2021	Maturity and distribution of profits to shareholders for the financial year 2020
11 - 18 July 2021	Announcement of the Interim Consolidated Financial Results for Q2 2021
10 - 17 October 2021	Announcement of the Interim Consolidated Financial Results for Q3 2021

\* 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) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

As part of this requirement, the Group has prepared Condensed Consolidated Interim Financial Statements for each quarter of 2020 and Annual Consolidated Financial Statements for the year ended 31 December 2020 in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. PricewaterhouseCoopers (PwC) was appointed

as Almarai's independent auditors after the Audit Committee recommended PwC to the Board of Directors to audit the Company's accounts for the fiscal year 2020 and Q1 2021. The Board of Directors requested the approval of the nomination of PwC and its fees during the General Assembly Meeting in April 2020, at which time the appointment was approved. After auditing the Consolidated Financial Statements for the year ended 31 December 2020, PwC issued its unqualified Independent Auditors' Report expressing their opinion that the Consolidated Financial Statements as a whole present fairly, in all material respects, the consolidated financial position of Almarai Company and its subsidiaries as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the SOCPA.

# 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 profit 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 41.7% payout ratio for the five-year period from 2016-2020. 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 that 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 18,009 million since it was listed on Tadawul, in the form of cash dividends and bonus shares. Cash dividends amounted to approximately SAR 8,909 million, representing 49.5% of total dividends and bonus shares, while bonus shares from a capital increase reached SAR 9,100 million. This excludes the capital increase resulting from the acquisition of Western Bakeries and International Bakeries Services at a nominal value of SAR 90 million and the 100% acquisition of Hail Agricultural Development Company (HADCO) at a nominal value of SAR 60 million.

## 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	-
2006	464.7	200	43.0%	100	2.00
2007	667.3	272.5	40.8%	109	2.50
2008	910.3	381.5	41.9%	109	3.50
2009	1,096.7	460	41.9%	115	4.00
2010	1,285.4	517.5	40.3%	230	2.25
2011	1,139.5	517.5	45.4%	230	2.25
2012	1,440.6	500	34.7%	400	1.25
2013	1,502.2	600	39.9%	600	1.00
2014	1,674.3	600	35.8%	600	1.00
2015	1,915.7	690	36.0%	600	1.15
2016	2,080.5	720	34.6%	800	0.90
2017 *	2,182.2	750	34.4%	1,000	0.75
2018	2,008.8	850	42.3%	1,000	0.85
2019	1,811.8	850	46.9%	1,000	0.85
<b>2020**</b>	<b>1,984.4</b>	<b>1,000</b>	<b>50.4%</b>	<b>1,000</b>	<b>1.00</b>
<b>Total</b>	<b>22,550.5</b>	<b>8,909.00</b>	<b>39.5%</b>		

\*2017 onwards, IFRS is implemented. All previous years are SOCPA compliant

\*\*2020 is recommended by the Board of Directors, pending AGM approval

## Dividend Dates

Year	Announcement Date	Due Date	Distribution Date	Distribution Method	Amount per Share (SAR)
2006	21-Jan-07	27-Mar-07	10-Apr-07	Account transfer	2.00
2007	21-Jan-08	24-Mar-08	07-Apr-08	Account transfer	2.50
2008	19-Jan-09	23-Mar-09	07-Apr-09	Account transfer	3.50
2009	20-Jan-10	11-Apr-10	26-Apr-10	Account transfer	4.00
2010	06-Dec-10	03-Apr-11	11-Apr-11	Account transfer	2.25
2011	07-Dec-11	02-Apr-12	11-Apr-12	Account transfer	2.25
2012	19-Jan-13	02-Apr-13	10-Apr-13	Account transfer	1.25
2013	29-Dec-13	02-Apr-14	09-Apr-14	Account transfer	1.00
2014	28-Dec-14	05-Apr-15	12-Apr-15	Account transfer	1.00
2015	14-Dec-15	03-Apr-16	12-Apr-16	Account transfer	1.15
2016	06-Dec-16	26-Mar-17	04-Apr-17	Account transfer	0.90
2017	11-Dec-17	09-Apr-18	17-Apr-18	Account transfer	0.75
2018	10-Dec-18	07-Apr-19	15-Apr-19	Account transfer	0.85
2019	09-Dec-19	05-Apr-20	13-Apr-20	Account transfer	0.85
<b>2020</b>	<b>15-Dec-20</b>	<b>As per AGM Approval</b>	<b>As per AGM Approval</b>	<b>Account transfer</b>	<b>1.00</b>

## 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	250	1,000	33.3%	One bonus share for every 3 outstanding shares
2010	1,150	1,150	2,300	100.0%	One bonus share for every 1 outstanding share
2012	2,300	1,700	4,000	73.9%	One bonus share for every 1.353 outstanding shares
2013	4,000	2,000	6,000	50.0%	One bonus share for every 2 outstanding shares
2016	6,000	2,000	8,000	33.3%	One bonus share for every 3 outstanding shares
2017	8,000	2,000	10,000	25.0%	One bonus share for every 4 outstanding shares
<b>Total</b>		<b>9,100</b>			

## 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-05	Bonus shares	25-Dec-05	750	1,000
2007	19-Feb-07	Acquisition (WB and IBS)	27-Mar-07	1,000	1,090
2009	9-May-09	Acquisition (HADCO)	7-Oct-09	1,090	1,150
2010	5-Oct-10	Bonus shares	5-Dec-10	1,150	2,300
2012	7-Dec-11	Bonus shares	2-Apr-12	2,300	4,000
2013	29-May-13	Bonus shares	9-Sep-13	4,000	6,000
2016	14-Dec-15	Bonus shares	3-Apr-16	6,000	8,000
2017	8-Jun-17	Bonus shares	8-Oct-17	8,000	10,000

With regard to cash dividends for 2020, the Board of Directors proposes to the General Assembly a dividend of SAR 1,000 million, representing 50.4% of the consolidated net profits achieved during the year, at SAR 1.00 per share. To be eligible for the cash dividend payment, shareholders' records must be registered at the depository center 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 Amounts recorded during 2020

Almarai is committed to paying certain fees and expenses to Saudi government departments as per applicable terms and regulations. These inherent expenses are

recorded in the Financial Statements of the Company's operations. The following table details statutory charges in 2020, with a brief description and related reason.

Statutory Organization	Description	Reason	(SAR million)	
			2020	2019
Saudi Customs	Amounts paid or charged as customs fees on imports and exports.	Government requirement	81.7	80.4
General Authority of Zakat and Income Tax	Amounts paid as Zakat, WHT, Income Tax & VAT expenses according to the various laws	Government requirement	781.9	118.0
General Organization for Social Insurance	Amounts paid or charged as social insurance expenses, in accordance with Saudi Labor Law	Government requirement	88.0	87.2
Other Statutory Organizations	Amounts paid or charged according to various other laws	Other government requirements	251.2	225.5
<b>Total</b>			<b>1,202.8</b>	<b>511.1</b>

## Penalties and Sanctions

Almarai was not charged any penalties or sanctions during 2020 by any supervisory, regulatory or judicial unit.

# Corporate Governance Code

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 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 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 Capital Market Authority (CMA). 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 CMA and of Tadawul
- The Companies Law of Saudi Arabia and associated ministerial directives of the Ministry of Commerce and Ministry Investment
- Almarai's 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 Bylaws and Corporate Governance Rules ensure that shareholders enjoy all rights related to shares, in particular, the right to receive 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 to dispose of shares, 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 CMA. 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 Bylaws and Corporate Governance Rules also contain provisions related to the General Assembly, including 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 including 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 on 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 Bylaws.

Almarai provides sufficient access for its shareholders to read the minutes of the General Assembly Meeting and provides the CMA 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. If necessary, these concerns 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 Tadawul will be communicated to the Board of Directors.

## Corporate Governance Structure



# Board of Directors Formation and Functions

Almarai's Bylaws provide for a Board of Directors (comprising nine Members). The rules regarding the appointment, resignation, term of office, powers, remuneration and the principal requirements are summarized 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 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 the 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:

- a) 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
- b) 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
- c) 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

thereof and overseeing the overall performance of the Company

- 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
- d) The Board of Directors lays down procedures for supervising the following:
- 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 2020, 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 2020.

Member name	Position	Membership status	Listed/ (Unlisted)	Membership of Joint Stock Companies inside and outside of KSA
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman of the Board	Non-Executive	Listed	Yamamah Cement Co., Arabian Shield Cooperative Insurance Company
			Unlisted	Global Downstream Industries Company-GDI, Global Chemical Industries Company-GCI, Faraby Al Khaleej Petrochemical Company, Tejoury Company, The Ideal Factory Company, Tarabot Investment & Development Company, Diplomat Flavour, Dar Alselal
Mr. Sulaiman A.K. Al Muhaidib (a representative of Savola Group)	Vice Chairman	Non-Executive	Listed	Savola Group
			Unlisted	ACWA Power International, Vision invest Co. (Roaia), Abdulkadir Al Muhaidib and Sons, RAFAL Real Estate Development Company, Muhaideb Investment, Mayar, World Wood Co, Aloula
Mr. Bader bin Abdullah Al Issa (a representative of Savola Group)	Managing Director	Executive	Listed	Savola Group, Banque Saudi Fransi, Dur Hospitality Co.
			Unlisted	Savola Foods Company, Panda Retail Company, United Sugar Company, Afia International Company
Mr. Ammar Bin Abdulwahid Alkhudairy	Board Member	Independent	Listed	Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO), Samba Financial Group
			Unlisted	Amwal Capital
Engr. Anees bin Ahmed bin Mohammed Mومina (a representative of Savola Group)	Board Member	Non-Executive	Listed	The National Commercial Bank (NCB), Knowledge Economic City Company (KEC), Herfy Foods Co.
			Unlisted	Savola Food Company, Panda Retail Co., Fakeeh Hospital Co., Kinan International Real Estate Development Co, Panda Retail Company, United Sugar Company, Afia International Company
Mr. Peter Amon	Board Member	Independent	Listed	-
			Unlisted	More-Than-Meals
Mr. Saad bin Abdulmohsen Al Fadly	Board Member	Independent	Listed	Saudi British Bank, National Medical Care Company
			Unlisted	Hassana Investment Company
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Board Member	Non-Executive	Listed	-
			Unlisted	ADDAR Chemicals Company, Thirty Exports Company Ltd.
Mr. Sultan Abdulmalik Al-Sheikh (a representative of Public Investment Fund)	Board Member	Non-Executive	Listed	Saudi Fisheries Company
			Unlisted	Gulf International Bank (Saudi Arabia), Gulf International Bank (Bahrain), Saudi Company for Exchanging Digital Information ("Tabadul"), The Helicopters Company, Tahakom Investment Company, Member in the Executive Committee of Saudi Telecom Company ("STC").

# Regular Meetings of the Board for 2020

Member Name	Position	Meetings						Attendance Rate
		First	Second	Third	Fourth	Fifth	Sixth	
		9-Feb	5-Apr	8-May	14-Sept	3-Dec	14-Dec	
HH Prince Sultan bin Mohammed bin Saud Al Kabeer *	Former Chairman +	X	*	*	*	*	*	0%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman ++	Attended	Attended	Attended	Attended	Attended	Attended	100%
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	Attended	Attended	Attended	Attended	Attended	Attended	100%
Mr. Bader bin Abdullah Al Issa	Managing Director +++	Attended	Attended	Attended	Attended	Attended	Attended	100%
Mr. Ammar Bin Abdulwahid Alkhudairy	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%
Engr. Anees bin Ahmed bin Mohammed Moumina	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer **	Member	**	Attended	Attended	Attended	Attended	Attended	100%
Mr. Peter Amon	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%
Mr. Sultan Abdulmalik Al-Sheikh	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%
Saif Al Kamil	Secretary	Attended	Attended	Attended	Attended	Attended	Attended	100%

\* Membership Ended on 09 March 2020

\*\* Membership Started on 09 March 2020

+ Resignation of the Chairman of the Board of Directors 09 March 2020

++ Appointment of the Chairman of the Board of Directors 09 March 2020

+++ Appointment of the Managing Director of the Company 17 November 2020

## Shareholders General Assembly Meetings During 2020

		Meetings	Attendance Rate
		5-Apr	
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman	Attended	100%
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	Attended	100%
Mr. Bader bin Abdullah Al Issa	Managing Director	Attended	100%
Mr. Ammar Bin Abdulwahid Alkhudairy	Member	Attended	100%
Engr. Anees bin Ahmed bin Mohammed Moumina	Member	Attended	100%
Mr. Peter Amon	Member	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	Attended	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	100%
Mr. Sultan Abdulmalik Al-Sheikh	Member	Attended	100%

# Ownership of Board 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 2020 and there were no

arrangements or agreements by which any of the Board Members waived any salary or compensation.

## Ownership by Members of Board of Directors

Member Name	Note	Shares Ownership		
		Opening Balance (January 2020)	Closing Balance (December 2020)	Percentage Change
1 HH Prince Sultan bin Mohammed bin Saud Al Kabeer	Personal ownership	236,956,536	236,956,536	0.0%
2 HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Personal ownership	8,695,651	8,695,651	0.0%
3 Mr. Sulaiman A.K. Al Muhaidib (a representative of the Savola Group)	Personal ownership	8,695	8,695	0.0%
	Savola Group ownership	345,218,236	345,218,236	0.0%
4 Mr. Bader bin Abdullah Al Issa (a representative of the Savola Group)	Personal ownership	1,666	1,666	0.0%
	Savola Group ownership	345,218,236	345,218,236	0.0%
5 Mr. Ammar Bin Abdulwahid Alkhudairy	Personal ownership	1,000	1,000	0.0%
6 Eng. Anees bin Ahmed bin Mohammed Moumina (a representative of the Savola Group)	Personal Ownership	-	-	-
	Savola Group ownership	345,218,236	345,218,236	0.0%
7 Mr. Peter Amon	-	-	-	-
8 Mr. Saad bin Abdulmohsen Al Fadly	-	-	-	-
9 HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	-	-	-	-
10 Mr. Sultan Abdulmalik Al-Sheikh (a representative of the Public Investment Fund)	Personal Ownership	-	-	-
	Public Investment Fund ownership	163,233,480	163,233,480	0.0%

## Ownership of Spouses and Minors

Name	Shares Ownership		
	Opening Balance (January 2020)	Closing Balance (December 2020)	Percentage Change
Wife of HH Prince Sultan bin Mohammed bin Saud Al Kabeer	6,086,955	6,086,955	0%

# Ownership of Senior Managers

The following table illustrates Senior Managers', their spouses' and minors' interests in Almarai shares, as well as any changes that occurred in 2020. None of them have any interest in debt instruments issued by Almarai

and there were no arrangements or agreements by which any of the Senior Managers waived any salary or compensation

## Ownership of Senior Managers

Name	Shares Ownership		
	Opening Balance (January 2020)	Closing Balance (December 2020)	Percentage Change
Mr. Bader Abdullah Al Issa	1,666	1,666	0%
Mr. Abdullah Al Bader	260	260	0%
Mr. Andrew Mackie	77,500	0	-100%
Mr. Danko Maras	0	0	-
Mr. Faisal Alfahadi	0	0	-
Mr. Fawaz Aljasser	10,390	11,960	15%
Mr. Hussam Abdulqader	27,800	0	-100%
Mr. Michael McDonald	1	1	0%
Mr. Mohammed Al Shuhail	61,388	48,488	-21%
Mr. Niall Mackay	12,460	0	-100%
Mr. Omar Mohammed Salem	38,000	43,000	13%
Mr. Paul Partelides	0	0	-
Mr. Richard Salisbury	0	0	-

# Details of paid remuneration

	Fixed remuneration (SAR)						Total
	Specific amount	Allowance for attending Board meetings	Allowance for attending other committee meetings	In-kind benefits	Remuneration for technical, managerial and consultative work	Remuneration of the Chairman, Managing Director or Secretary, if a member	
<b>Non-Executive &amp; Independent Directors</b>							
<b>Non-Executive Directors</b>							
HH Prince Sultan bin Mohammed bin Saud Al Kabeer	-	-	-	-	-	100,000	100,000
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	-	18,000	15,000	-	-	400,000	433,000
Mr. Sulaiman A.K. Al Muhaidib	-	18,000	-	-	-	-	18,000
Engr. Anees bin Ahmed bin Mohammed Moumina	-	26,000	16,000	-	-	-	42,000
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	-	15,000	12,000	-	-	-	27,000
Mr. Sultan Abdulmalik Al-Sheikh	-	15,000	9,000	-	-	-	24,000
<b>Independent Directors</b>							
Mr. Ammar Bin Abdulwahid Alkhudairy	-	18,000	21,000	-	-	-	39,000
Mr. Peter Amon	-	18,000	12,000	-	-	-	30,000
Mr. Saad bin Abdulmohsen Al Fadly	-	18,000	24,000	-	-	-	42,000
<b>Executive Directors</b>							
Mr. Bader bin Abdullah Al Issa	-	18,000	30,000	-	-	-	48,000
<b>Non-Board Members</b>							
Saif Al Kamil	-	6,000	2,000	-	-	100,000	108,000
<b>Total</b>	<b>-</b>	<b>170,000</b>	<b>141,000</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>911,000</b>

## Paid to five Top Senior Executives 2020 (including CEO and CFO)\*

The five top Senior Executives, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), receive a remuneration according to employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Senior Executives.

Remunerations of five Top Senior Executives (CEO and CFO Included)	Fixed Remunerations (SAR)			
	Salaries	Allowances	In-Kind benefits	Total
For 2020 (SAR)	9,603,800	2,630,900	510,000	12,744,699
For 2019 (SAR)	8,831,882	950,000	1,403,808	11,185,690

\*The company committed to disclose total remuneration of the senior executive management in accordance with the requirements of Article 93(4-b) of the Corporate Governance Rules. In order to protect the interests of the Company, its shareholders and its employees, and to avoid any damage that may result from the disclosure in details as per job titles and positions, hence description of remuneration is not presented pursuant to Appendix (1) Remuneration Schedule of Corporate Governance Rules related to Senior Executives.

## Variable remuneration (SAR)

Percentage of the profits	Periodic remuneration	Short-term incentive plans	Long term incentive plans	Granted shares	Total	End-of-service award	Aggregate amount
-	40,000	-	-	-	40,000	-	140,000
-	200,000	-	-	-	200,000	-	633,000
-	200,000	-	-	-	200,000	-	218,000
-	200,000	-	-	-	200,000	-	242,000
-	160,000	-	-	-	160,000	-	187,000
-	200,000	-	-	-	200,000	-	224,000
-	200,000	-	-	-	200,000	-	239,000
-	200,000	-	-	-	200,000	-	230,000
-	200,000	-	-	-	200,000	-	242,000
-	200,000	-	-	-	-	-	248,000
-	-	-	-	-	-	-	108,000
-	<b>1,800,000</b>	-	-	-	<b>1,800,000</b>	-	<b>2,711,000</b>

## Variable Remunerations (SAR)

Periodic Remuneration	Profits	Short-term Incentive Plans	Long-term Incentive Plans	Granted shares (insert the value)	Total	End of Service Award	Other Benefits	Aggregate Amount
-	-	12,351,463		778,662	13,130,125	4,000,000	2,219,408	32,094,232
-	-	31,214,194		1,215,491	32,429,685	8,043,352	285,667	51,944,394

## Committees

### Executive Committee \*

Member Name	Position	Fixed Remuneration (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman	100,000	6,000	106,000
Mr. Ammar Bin Abdulwahid Alkhudairy	Member	100,000	6,000	106,000
Engr. Anees bin Ahmed bin Mohammed Moumina	Member	100,000	10,000	110,000
Mr. Bader bin Abdullah Al Issa	Member	100,000	6,000	106,000
Mr. Georges Schorderet	Member	100,000	6,000	106,000
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	100,000	6,000	106,000
Mr. Majed Nofal	Member	100,000	6,000	106,000
Mr. Peter Amon	Member	100,000	6,000	106,000
Mr. Saad bin Abdulmohsen Al Fadly	Member	100,000	6,000	106,000
Saif Al Kamil	Secretary	50,000	2,000	52,000
<b>Total</b>		<b>950,000</b>	<b>60,000</b>	<b>1,010,000</b>

\* Committee has been Abolished on 08 June 2020

### Remuneration and Nomination Committee

Member Name	Position	Fixed Remuneration (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
Mr. Ammar Bin Abdulwahid Alkhudairy	Chairman	100,000	9,000	109,000
Mr. Bader bin Abdullah Al Issa***	Member	100,000	9,000	109,000
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer *	Member	50,000	3,000	53,000
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer **	Member	50,000	6,000	56,000
Mr. Saad bin Abdulmohsen Al Fadly	Member	100,000	6,000	106,000
Mr. Sultan Abdulmalik Al-Sheikh	Member	100,000	9,000	109,000
Mr. Majed Nofal****	Secretary	100,000	2,000	102,000
<b>Total</b>		<b>600,000</b>	<b>44,000</b>	<b>644,000</b>

\* Membership Ended on 08 June 2020

\*\* Membership Started on 08 June 2020

\*\*\* Membership Ended on 17 Nov 2020 as Appointed Managing Directors

\*\*\*\* Membership Ended on 17 Nov 2020

## Risk Committee

Member Name	Position	Fixed Remuneration (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
Mr. Bader bin Abdullah Al Issa *	Former Chairman	75,000	9,000	84,000
Engr. Anees bin Ahmed bin Mohammed Moumina **	Chairman	75,000	6,000	81,000
Jason Day	Member	150,000	15,000	165,000
Vanessa Fisk	Member	150,000	12,000	162,000
Mr. Paul Louis Gay *	Former Secretary	50,000	3,000	53,000
Mr. Rodney Scott Mackinlay **	Secretary	50,000	2,000	52,000
<b>Total</b>		<b>550,000</b>	<b>47,000</b>	<b>597,000</b>

\* Membership Ended on 08 June 2020

\*\* Membership Started on 08 June 2020

## Audit Committee

Member Name	Position	Fixed Remuneration (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
Dr. Abdulrahman bin Suliman Al Turaigi	Former Chairman	200,000	16,000	216,000
Mr. Raied bin Ali Alsif	Chairman	200,000	12,000	212,000
Mr. Eid bin Faleh Al-Shamri	Member	200,000	12,000	212,000
Mr. Saad bin Abdulmohsen Al Fadly	Member	200,000	12,000	212,000
Mr. Sulaiman bin Naser Alhatlan	Member	200,000	12,000	212,000
Mr. Talha Sidahmed	Secretary	100,000	4,000	104,000
<b>Total</b>		<b>1,100,000</b>	<b>68,000</b>	<b>1,168,000</b>

## Investment Committee\*

Member Name	Position	Fixed Remuneration (SAR)	Allowance for attending the meetings (SAR)	Total (SAR)
Mr. Bader bin Abdullah Al Issa	Chairman	75,000	6,000	81,000
Mr. Ammar Bin Abdulwahid Alkhudairy	Member	61,000	6,000	67,000
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	75,000	6,000	81,000
Mr. Majed Nofal	Member	75,000	3,000	78,000
Mr. Peter Amon	Member	75,000	6,000	81,000
Mr. Danko Maras	Secretary	50,000	2,000	52,000
<b>Total</b>		<b>411,000</b>	<b>29,000</b>	<b>440,000</b>

\* Committee has been Formed on 08 June 2020

# Company Committees

With the exception of the Audit Committee, which shall be formed by the resolution of the Company's Ordinary General Assembly, the Board may at any time establish specialized committees as may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties. The formation of committees shall be made in accordance with general procedures developed by the Board, which shall determine the duties, duration and powers of each committee, and the manner in which the Board monitors the activities of each committee. The committee shall inform the Board of its findings or decisions with complete transparency. The Board shall regularly follow up the activities of such committees to ensure the performance of the duties dedicated to them. Each committee shall be responsible before the Board for its activities; this shall not relieve the Board of its responsibility for such activities, duties and powers that it has delegated to such committee.

The list of non-Board Company Committee Members:

## Executive Committee

### **Georges P. Schorderet,** Executive Committee Member

Georges Schorderet joined Almarai in 2004 as Chief Financial Officer (CFO). In September 2011 Georges became Chief Operating Officer before ultimately being appointed Chief Executive Officer (CEO) 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 CFO of Swissair Group and CFO of the Alusuisse-Lonza Group. Georges holds an MBA from the International Institute for Management Development, Lausanne (Switzerland) and an International Senior Management Programme from Harvard Business School, Boston (USA) alongside being a certified accountant.

### **Majed Nofal,** Executive Committee Member

Majed Nofal joined Almarai in 2010. Prior to this Majed held a number of positions within the Almarai Group including Deputy CEO, VP New Businesses, 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. He holds a Bachelor of Arts in Business Administration from King Saud University (KSA).

## Risk Committee

### **Jason Day,** Risk Committee Member

Jason Day currently serves as the Managing Partner of a London, UK based International Professional Services firm providing Corporate Governance, Internal Audit, Risk Management, Compliance and training services to the Oil and Gas, Financial Services, FMCG, Retail and IT sectors. Prior to his current position, Jason was the Vice President of Internal Audit, Risk Management and Compliance with Abu Dhabi National Oil Company (ADNOC). His responsibility was to provide independent assurance to the Board, Audit, Risk and Compliance committees ensuring that the risk management, governance and internal control processes are operating effectively. Jason graduated with a Bachelor's (Hons) degree in Computer Science from University of Hertfordshire, UK after which he qualified as a Chartered Certified Accountant with the ACCA UK. He is also a Certified Information Systems Auditor (CISA) and a Project Management Professional awarded by Project Management Institute, USA

### **Vanessa Eastham Fisk,** Risk Committee Member

Vanessa Eastham Fisk currently holds directorships at Commercial Bank International PSC; Anglo Gulf Trade Bank and Ila, new digital-only retail bank which is 100% owned by Bank ABC Bahrain. Vanessa focuses on directorships in companies which have a strong innovation and/or transformation agenda. In particular, she has a keen interest in businesses deploying newer technologies to gain competitive advantage, and is an active Board Advisor and Mentor to a number of the Middle East's emerging fintech and regtech start-ups. Prior to pursuing a non-executive career, Vanessa spent over 20 years at Barclays Bank and latterly Standard Chartered, in a wide variety of senior executive director roles working across multiple geographies. Vanessa graduated with a Bachelor's degree in Accountancy and Finance from Huddersfield University, undertook a postgraduate degree in Leadership Studies at Exeter University and most recently, completed the International Executive Programme in Global Corporate Governance at INSEAD, Paris.

## Audit Committee

### **Raied A. Al Seif, Audit Committee Chairman**

Raied Al Seif is the CEO of Sultan Holding Company. He currently holds the following board positions: Chairman and member of the Board of Directors at ANB Invest, Member of the Board of Directors at Zain KSA, Arabian Shield Insurance and IBC Environmental Lebanon. Prior to that Raied held the position of Division Head at ANB, leading a team of relationship managers. Raied holds a Bachelor's degree in Accounting from College of Administrative Science from King Saud University in Riyadh-KSA.

### **Dr. Abdulrahman bin Suliman Al Turaigi, Audit Committee Member**

Dr. Abdulrahman Alturaigi is well seasoned leader with Ph. D. Qualification in Industrial Engineering. He has more than 30 years of management experience both in the government and private sector. He is currently a board members in several public listed companies in Saudi Arabia.

### **Eid F. Alshamri, Audit Committee Member**

Eid Alshamri is the CEO of Ithraa Capital. He holds a Bachelor of Science in Industrial Management with Honors from King Fahd University of Petroleum and Minerals in 1989. He is a Fellow of the American Board of Certified Public Accountants from State of Colorado and a member of the American Association of Certified Public Accountants since 1995. Eid is a professional with a 28 year proven track record and has held various executive positions. He is also a member of several boards and committees in several companies.

### **Sulaiman N. Alhatlan, Audit Committee Member**

Sulaiman Alhatlan currently serves as a Board member and Managing Director for Maharah Human Resources Company. He is also a Board Member at Saudi Vitrified Clay Pipes Company. He is an audit committee member for several listed and unlisted companies. Throughout his career, Sulaiman has carried out many senior roles of financial advisory for both the public and private sectors. He attended King Saud University, graduating in 1994 with a Bachelor's degree in Accounting after which he attended California State University where he studied Accountancy and earned his Master's degree.

# 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, Chapter 3, of the Corporate Governance Rules. The Executive Committee's tasks and responsibilities 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 inquiries 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 that might have a significant impact on the Company's public image

## Executive Committee Meetings During 2020\*

During 2020, the Executive Committee held two meetings. The below table illustrates the names, positions and attendance of the Committee members.

Member Name	Position	Meetings		Attendance Rate
		First 9-Feb	Second 5-Apr	
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Chairman	Attended	Attended	100%
Mr. Ammar Bin Abdulwahid Alkhudairy	Member	Attended	Attended	100%
Engr. Anees bin Ahmed bin Mohammed Moumina	Member	Attended	Attended	100%
Mr. Bader bin Abdullah Al Issa	Member	Attended	Attended	100%
Mr. Georges Schorderet	Member	Attended	Attended	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	100%
Mr. Majed Nofal	Member	Attended	Attended	100%
Mr. Peter Amon	Member	Attended	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	Attended	Attended	100%
Saif Al Kamil	Secretary	Attended	Attended	100%

\*Committee has been abolished on 08 June 2020

# Investment Committee

The Board of Directors issued a resolution dated 16/10/1441H (08/06/2020G) to form the Investment Committee as a new committee, including the Investment Committee Regulation setting out the committee's duties and authorities. At the same time, the Board abolished its Executive Committee.

The purpose of the Investment Committee (the "Investment Committee" or "Committee") regulation is to set out the composition, responsibilities, and duties of the Committee and to define the interaction with the Board of Directors and Executive Management.

The primary purpose of the Committee is to assist the Board in fulfilling its responsibilities towards the strategic planning and investments of Almarai Company and to oversee the Company's existing and future investments.

## Rules for selecting members of the Investment Committee, how they are nominated and the duration of their membership

- An Investment Committee shall be formed from among the Board members or others by a resolution of the Board of Directors.
- Nomination of Investment Committee members shall be pursuant to the recommendation of the Remuneration and Nomination Committee.
- The number of members of the Committee shall not be less than three nor more than five.
- The Committee Chairman shall be appointed by the members thereof at the first Committee meeting.
- Members of the Investment Committee shall be appointed for a period not exceeding three years and may be reappointed as needed for the Committee's formation.
- At its first meeting, the Investment Committee shall appoint a Secretary from among its members or the Company's employees.
- The Committee members shall have the appropriate experience and qualifications relevant to the duties, responsibilities and the nature of the Committee's functions.
- If an Investment 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 such appointment.

- The Company undertakes to notify the CMA of the names of its Investment Committee members and the status of their membership, 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.
- Membership of the Investment Committee shall expire upon the expiry of the Committee's term or the expiry of the member's membership, in accordance with any applicable Saudi law, regulation or instruction. However, the Board of Directors may, at any time, remove all or some members of the Investment Committee. Members may also resign, on condition that they do so at an appropriate time, lest they be held liable towards the Company for damages resulting therefrom.

## Duties and competencies of the Investment Committee

The Investment Committee shall be competent to:

- Working with Executive Management to develop an investment strategy and policy for the company commensurate with the nature of its business, activities, and risks, and making appropriate recommendations to the Board of Directors.
- Reviewing the investment strategy and policy regularly to ensure its alignment with any changes that may occur in the external work environment in which the company operates, legislation regulating business, or strategic objectives or otherwise, and recommending to the Board proposed changes.
- Overseeing the Company's investment activities and establishing appropriate processes for measuring and assessing investment performance.
- Studying and evaluating the investment opportunities proposed by the Executive Management regarding the following transactions and making appropriate recommendations:
  - Mergers or acquisitions of companies, businesses, or assets.
  - Any termination, sale, transfer of ownership, exit, or disposition of an existing investment.
  - Joint ventures under partnership agreements.
  - Investments/expansions in new or existing projects.
  - Investment opportunities that Executive Management wishes to enter.
  - Examination of financing prospects for the above transactions.

- Ensuring that the proposed investment opportunities comply with relevant regulations and instructions.
- Identifying and prioritizing proposed investment proposals.
- Studying the progress on the approved investment opportunities.
- Carry out any tasks assigned by the Board of Directors.
- Review and follow up on the implementation of Board and Investment Committee decisions.

## Meetings of the Investment Committee

- The Investment Committee shall convene periodically, at least every six months, and whenever needed.
- The Investment Committee meetings are quorate, if attended by a majority of its members. Committee resolutions shall be adopted by a majority of the members present. In case of a tie, its Chairman shall have the casting vote.
- The Chairman of the Investment Committee shall call for the convening of Committee meetings. Any member of the Investment Committee or the Chairman of the Board may ask the Chairman of the Investment Committee to call the Committee to meet.
- The invitation to the meeting of the Investment Committee shall be sent to the Committee members, together with the agenda, seven days before the date of the scheduled meeting, unless the members agree otherwise.
- No member of the Board of Directors or Executive Management shall be entitled to attend Investment Committee meetings unless the Committee requests to hear his/her opinion or obtain his/her advice. Attendance of Investment Committee meetings shall be limited to the members and Secretary of the Committee.
- Investment Committee meetings shall be documented and minutes including the discussions and deliberations carried during such meetings shall be prepared. Recommendations of the Committee and voting results shall be documented and retained in a special and organized register, including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending members.
- The Chairman of the Investment Committee or his assignee shall attend the Company's General

Assemblies to answer shareholders' questions.

- The Investment Committee shall submit summary reports to the Board of Directors following each of its meetings.
- Within the scope of its powers, the Investment Committee may seek assistance from any expert or specialist, whether internal or external. This shall be included in the minutes of the Committee meeting. Such minutes shall state the name of the expert and his/her relation to the Company or its Executive Management.

## Powers of the Investment Committee

In the performance of its duties, the Investment Committee may:

- Request appropriate information that will enable the Committee to carry out its roles and responsibilities.
- Investigate any matter falling within its functions, or any subject specifically requested by the Board of Directors.
- Access the Company's records and documents.
- Seek legal and technical advice from any third party or other independent consultant, when necessary, to assist the Committee in performing its functions.
- Review investment opportunities proposed by the Executive Management, provided that the justifications for approval or rejection are documented in the minutes of meetings.
- Recommend investment opportunities to the Board of Directors.

## Investment Committee Members Remuneration

- The remuneration of the Committee members shall be a fixed cash amount, in addition to attendance allowance.
- The annual remuneration for the members of the Committee shall be determined as per the recommendation of the Remuneration & Nomination Committee to the Board of Directors.

## Final Provisions (Application and Review)

This Regulation shall be effective from the date of its approval by the Board of Directors. This Regulation shall be reviewed by the Board of Directors, and any amendments shall be approved by the Board of Directors.

Member Name	Position	Meetings		Attendance Rate
		First	Second	
Mr. Bader bin Abdullah Al Issa	Chairman	Attended	Attended	100%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	100%
Mr. Ammar Bin Abdulwahid Alkhudairy	Member	Attended	Attended	100%
Mr. Majed Nofal*	Member	Attended	X	100%
Mr. Peter Amon	Member	Attended	Attended	100%
Mr. Danko Maras	Secretary	Attended	Attended	100%

Committee has been formed on 08 June 2020

\*Membership Ended on 17 Nov 2020

# Remuneration and Nomination Committee

The Board formed this committee for a period of three years starting from 7 August 2019. The regulation of the Remuneration and Nomination Committee including the remuneration of its members was approved by the Company's General Assembly on 8 October 2017 in accordance with Articles 60 and 64 of the Corporate Governance Regulations issued by the CMA.

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 responsible 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 CEO, 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 responsible 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 renomination 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 Meetings During 2020

During 2020, the Remuneration and Nomination Committee held three meetings. The following table illustrates the names, positions and attendance of Committee members.

Member Name	Position	Meetings			Attendance Rate
		First	Second	Third	
		9-Mar	13-Sep	14-Nov	
Mr. Ammar Bin Abdulwahid Alkhudairy	Chairman	Attended	Attended	Attended	100%
Mr. Bader bin Abdullah Al Issa***	Member	Attended	Attended	Attended	100%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	*	*	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	**	Attended	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	X	Attended	Attended	67%
Mr. Sultan Abdulmalik Al-Sheikh	Member	Attended	Attended	Attended	100%
Mr. Majed Nofal****	Secretary	Attended	Attended	X	67%

\* Membership Ended on 08 June 2020

\*\* Membership Started on 08 June 2020

\*\*\* Membership ended on 17 Nov 2020 and appointed as Managing Director

\*\*\*\* Role ended on 17 Nov 2020

# Audit Committee

The Company's Ordinary General Assembly formed this committee for a period of three years starting from 7 August 2016. As an amendment, regulation of the Audit Committee, including the remuneration of its members, was approved by the Company's 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 CFO or any person assuming his or 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
- 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 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 is beyond its scope of work, and provides its opinion thereon
- Responding to queries of the Company's auditor
- Reviewing the auditors' 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 any issues to the Board in connection with what it deems necessary to take action on and providing recommendations as to the steps that should be taken

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 members 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 or her 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 2020, the Audit Committee held four meetings. The following table illustrates the names, positions and attendance of the Committee members.

## Audit Committee Meetings During 2020

Member Name	Position	Meetings				Attendance Rate
		First 16-Jan	Second 2-Apr	Third 2-Jul	Fourth 7-Dec	
Dr. Abdulrahman bin Suliman Al Turaigi	Former Chairman	Attended	Attended	Attended	Attended	100%
Mr. Raied bin Ali Alsif	Chairman	Attended	Attended	Attended	Attended	100%
Mr. Eid bin Faleh Al Shamri	Member	Attended	Attended	Attended	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	Attended	Attended	Attended	Attended	100%
Mr. Sulaiman bin Naser Alhatlan	Member	Attended	Attended	Attended	Attended	100%
Mr. Talha Sidahmed	Secretary	Attended	Attended	Attended	Attended	100%

# 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 a 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 utilize 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

The Internal Audit Department shall assess and monitor the implementation of the internal control system, and verify 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 systems
- 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 Internal 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. The 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.

## 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 this 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

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 of 2020:

- 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

# Risk Committee

The Committee has the role of developing a strategy and comprehensive policies for risk management, monitoring their implementation, and reviewing and updating them. The Committee also determines and maintains an acceptable level of risk that may be faced by the Company ensuring that the Company does not go beyond such level, ensuring the feasibility of the successful continuation of the Company.

The Committee shall be responsible for the following:

- Examining and reviewing the Company's risk management policies
- Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors
- Determining and maintain an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level
- Ensuring the feasibility of the Company's continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following 12 months
- Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein
- Regularly reassessing the Company's ability to manage risks and to be exposed to such risks
- Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board
- Providing recommendations to the Board on matters related to risk management
- Ensuring the availability of adequate resources and systems for risk management
- Reviewing the organizational structure pertaining to risk management and providing recommendations regarding the same before approval by the Board
- Verifying the independence of risk management employees from activities that may expose the Company to risk
- Ensuring that risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk
- Reviewing any issues raised by the Audit Committee that may affect the Company's risk management

## Risk Management Committee Meeting During 2020

During 2020, the Risk Management Committee held five meetings. The following table illustrates the names, positions and attendance of Committee members.

Member Name	Position	Meetings					Attendance Rate
		First 9-Feb	Second 22-Mar	Third 7-Jun	Fourth 13-Sep	Fifth 13-Dec	
Mr. Bader bin Abdullah Al Issa	Former Chairman	Attended	Attended	Attended	*	*	100%
Engr. Anees bin Ahmed bin Mohammed Moumina	Chairman	**	**	**	Attended	Attended	100%
Mr. Jason Day	Member	Attended	Attended	Attended	Attended	Attended	100%
Mrs. Vanessa Fisk	Member	Attended	Attended	Attended	Attended	Attended	100%
Mr. Paul Louis Gay	Former Secretary	Attended	Attended	Attended	*	*	100%
Mr. Rodney Scott Mackinlay	Secretary	**	**	**	Attended	Attended	100%

\* Membership Ended on 08 June 2020

\*\* Membership Started on 08 June 2020

# 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 2020, Almarai carried out the following significant transactions with related parties on an arms' length basis.

Nature of Transaction	Transaction amount		Balance at 31 December	
	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
<b>Sales To</b>				
Panda Retail Company	730,416	740,279	185,685	153,423
Afia International Company	7,947	9,239	-	-
Herfy Food Services	3,799	5,991	1,175	877
<b>Total</b>	<b>742,162</b>	<b>755,509</b>	<b>186,860</b>	<b>154,300</b>
<b>Purchases From</b>				
United Sugar Company	38,373	63,489	(3,296)	(4,112)
Al Nafoura Catering	38	504	(16)	(66)
Arab Company for Agricultural Services (ARASCO)	-	11,118	-	(2,507)
Maria Fondomonte S.A.	70,680	2,957	(1,048)	(897)
	<b>109,091</b>	<b>78,068</b>	<b>(4,360)</b>	<b>(7,582)</b>
<b>Services From</b>				
Arabian Shield Cooperative Insurance Company	153,791	136,517	(2,060)	(70,152)
Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	-	173	-	-
Saudi Telecommunication Company - STC	17,075	-	-	-
Zain	4,901	3,965	-	-
Al Jazirah Corporation for Press, Printing and Publishing	-	184	-	(75)
	<b>175,767</b>	<b>140,839</b>	<b>(2,060)</b>	<b>(70,227)</b>
<b>Subtotal</b>	<b>284,858</b>	<b>218,907</b>	<b>(6,420)</b>	<b>(77,809)</b>
<b>Finance Charges</b>				
Saudi British Bank	8,969	18,213	(1,660)	(4,204)
Banque Saudi Fransi	3,207	5,908	(615)	(1,456)
Arabian Shield Cooperative Insurance Company	-	21	-	-
National Commercial Bank	7,286	16,150	(1,229)	(3,677)
	<b>19,462</b>	<b>40,292</b>	<b>(3,504)</b>	<b>(9,337)</b>
<b>Bank Financing</b>				
Saudi British Bank	34,482	52,214	(1,274,062)	(1,321,146)
Banque Saudi Fransi	3,456	3,660	-	-
National Commercial Bank	4,291	9,962	-	(235,714)
Samba Financial Group	19,707	29,936	(800,000)	(775,000)
	<b>61,936</b>	<b>95,772</b>	<b>(2,074,062)</b>	<b>(2,331,860)</b>
<b>Grand Total</b>	<b>1,108,418</b>	<b>1,110,480</b>	<b>(1,897,126)</b>	<b>(2,264,706)</b>

## Dealings During the Year 2020

The following significant related party transactions during 2020 required approval from the General Assembly.

Member	Nature of Dealing	Amount SAR '000	Period	Conditions
<b>Former Chairman / HH Prince Sultan bin Mohammed Bin Saud Al Kabeer</b>				
Al Nafoura Catering	Catering Services	38	One Year	Commercial condition prevailing in the market
<b>Chairman / HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer</b>				
Arabian Shield Cooperative Insurance Company	Insurance	153,791	2020	Commercial condition prevailing in the market
Mobile Telecommunication Company Saudi	Telecommunication services	4,901	2020	Commercial condition prevailing in the market
<b>Savola Group (Mr. Suliman A.K. Al Muhaideb, Mr. Bader Abdullah Al Issa and Eng.Anees bin Ahmed Moumina)</b>				
Panda Retail Company	Product Sales	730,416	One Year	Commercial condition prevailing in the market
United Sugar Company	Sugar Purchasing	38,373	One Year	Commercial condition prevailing in the market
Afia International Company	Oil Purchasing	7,947	One Year	Commercial condition prevailing in the market
<b>Eng.Anees bin Ahmed Moumina</b>				
Herfy Food Services Co.	Product Sales	3,799	One Year	Commercial condition prevailing in the market
National Commercial Bank	Bank financing	4,291	2018-2028	
National Commercial Bank	Payment of Sukuk Finance Charges	7,286	2020	Commercial condition prevailing in the market
<b>Mr. Saad Al Fadly</b>				
Saudi British Bank	Bank financing	34,482	2019-2029	Commercial condition prevailing in the market
Saudi British Bank	Payment of Sukuk Finance Charges	8,969	2013-2022	Commercial condition prevailing in the market
<b>Mr. Bader bin Abdullah Al Issa</b>				
Banque Saudi Fransi	Bank financing	3,456	2017-2027	Commercial condition prevailing in the market
Banque Saudi Fransi	Payment of Sukuk Finance Charges	3,207	2015-2022	Commercial condition prevailing in the market
<b>Mr. Ammar Bin Abdulwahid Alkhudairy</b>				
Samba Financial Group	Bank financing	19,707	2018-2025	Commercial condition prevailing in the market
<b>Mr. Sultan Abdulmalik Al-Sheikh</b>				
STC	Telecommunication services	17,075	2020	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](http://www.almarai.com)) and the Saudi Stock Exchange (Tadawul) website ([www.tadawul.com.sa](http://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

## Hotline Compliance; COC (Code of Conduct) / COI (Conflict of Interest) / Whistle Blowing Policy

Almarai is an organization with strong values of responsibility and integrity. Our Code of Conduct contains general guidelines for conducting business with the highest standards of ethics.

Almarai is committed to an environment where open, honest communications are the expectation, not the exception.

We strive to create an environment where any stakeholder, whether internal or external, feels comfortable in reporting an instance that he or she believes violates Almarai Code of Conduct policies or standards.

In this spirit, Almarai has partnered with a leader in ethics and compliance reporting, to provide a transparent and anonymous reporting mechanism, hosted by a third party hotline provider. All stakeholders are encouraged to submit reports relating to violations stated in Almarai's Code of Conduct, as well as ask for guidance related to policies and procedures and provide positive suggestions and stories with a guarantee that their comments will be heard.

Web link: <https://www.almarai.com/en/corporate/compliance/>

## Historic Information

The information that Almarai publishes on its website is mainly current information, although 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](mailto: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](mailto:info@almarai.com)

For more information, visit the Company's website: [www.almarai.com](http://www.almarai.com)

# Board of Directors Certification

The Board of Directors has taken care to ensure the professional performance of the Company during 2020 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
- There were no substantial operational conflicts of interest during 2020, 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 2020
- 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 2020
- 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 2020 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 2020, we are pleased to attach the Consolidated Financial Statements

with the Auditor's Report. We recommend that the General Assembly approve the Directors' Report, the Consolidated Financial Statements and the Auditor's Report. The place and time of the General Assembly Meeting and any other items on the agenda will be announced at a later date.

## Board Training

In 2020, the members of the Board received training from the International Institute for Management Development (IMD) in Lausanne, Switzerland. The programme enables the Board to identify and implement best practice, and empowers them to make meaningful contributions to the development, long-term growth and governance of the Company.

## The Methods Used by the Board of Directors to Assess their Performance as well as the Committees and Members Performance:

Almarai has conducted Board effectiveness reviews for the year 2020 aiming to identify the strengths and weaknesses of the Board and Committees, with a view to propose solutions in the best interest of the company.

The assessment was made under the RNC supervision. The mechanisms, methodology and criteria for the assessment were presented to the Board for alignment before execution. This included a comprehensive questionnaire covered the duties and responsibilities of the Board and its Committees, the effectiveness of their meetings, and the degree to which they have achieved their objectives.

# Financial Performance for 2020

## Financial Performance

Consolidated Profit Attributable to shareholders amounted to SAR 1,984 million, increasing by 9.5% compared to 2019. Whilst the top line growth was positive throughout the year, cost challenges resulted in a near flat operating performance. As a result, EBITDA for 2020 stood at SAR 4,013 million, at a margin of 26.1%, compared with SAR 4,017 million at a margin of 28.0% in the previous year.

The top line growth of 7.0% was driven by foods, long life dairy and poultry. All trade channels, including Modern Trade and Traditional trade grew strongly except Food services which was affected by COVID-19 related issues.

Gross Profit of SAR 5,535 million increased by 3.1%, driven by revenue growth but partly off-set by higher feed costs and COVID-19 prevention costs. Selling and Distribution Expenses increased by SAR 114 million or 4.8%, due to expansion in modern trade. General and Administration Expenses increased by a nominal SAR 20 million, post ongoing efficiency programmes.

Financing Costs decreased by SAR 55 million due to lower net debt level and lower funding rates driven by favourable market conditions throughout the year.

Free Cash Flow generation grew to SAR 2,830 million, compared to SAR 2,373 million in 2019 ex M&A activities, due to stable operating cash inflows partially impacted by strategic inventory buildup. The other major contributor to the free cash flow growth was lower capital expenditure spend driven by COVID-19 environment.

## Segmental Results

Total Dairy grew strongly during the year driven primarily by growth in long life dairy. In general, the growth in long life dated products, including long life milk and dairy foods grew much more strongly than other categories due to COVID-19 related restrictions. As a result, growth in dairy foods contributed the most to the top line growth for the year.

The Bakery was the only category recording adverse growth for the year. This was driven by lower single serve sales and on the go consumption, mainly in the second half due to school closures under COVID-19 related measures.

Poultry segment recorded another strong year with 8% growth in top line and 31% growth in segment net profit driven by capacity utilization and positive channel mix towards modern trade, specially in the second quarter.

## Geographic Sales

Saudi Arabia, at 67.0% value share of Almarai sales at country level, remains the major contributor for sales of the Company. The UAE came in as the second-largest market for Almarai representing 9.0% of its total sales. Growth in non-GCC countries was up by 29.0%, driven mainly by Jordan, Egypt and export. The sole country not showing positive growth for the year 2020 was Oman due to change in competition dynamics.

## Cash Flow and Balance Sheet

The Company delivered Net Cash Generated from Operating Activities of SAR 4,203 million, a decrease of 11.0% from 2019, mainly due to build up of strategic inventory.

The Net Cash used in Investing Activities reached SAR 1,373 million for 2020, a decrease of 42% or SAR 986 million from 2019 mainly due to COVID-19 related restrictions and end of expansionary investment cycle.

The positive Free Cash Flow for 2020 amounted to SAR 2,830 million, which was SAR 457 million higher than 2019 level as the reduction in investment CAPEX eclipse the extra spend for strategic inventory procurement.

## Managing Risk

In the course of the year, the maturity profile of the existing debt facilities reduced from 4.1 years to 4.0 years, and no availment of new term debt. The Company will continue to review and consolidate its debt profile to ensure a diversified and aligned maturity profile with its free cash flow generation expectations.

The Company interest rate hedging programme ensured optimum percentage of debt in fixed interest rate regime to protect from unfavourable movement earlier in the year. During 2020, volatile currency risk was managed via maintaining minimal foreign currency exposure in both Egyptian and Argentinean operations. Whilst stable EGP provided further cushion, deteriorating ARS was protected via close and constructive collaboration between local and corporate finance teams.

The Company further consolidated its commodities hedging programme for corn, soybeans and sugar, with an established risk framework in place to guard against challenges created by volatile prices. The commodity hedging programme was expanded in 2020 to include proxy cover for plastic materials. In addition, 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 2020, the overall leverage of the Company reached 2.7 Net Debt to EBITDA, within the strategic limit set by the Board of Directors. The Net Debt to Equity Ratio reached 66.0% at the end of 2020, below the 100.0% target. The strategic direction remains to deleverage the Company.

Financing at the End of the Year 2021 (SAR million) towards a Net Debt to EBITDA ratio of 2.5. The current strategic direction of lower capital investment requirements, stable working capital and growing Operating Cash Flow are likely to help us achieve this target within the next 12 to 24 months.

## Existing Financing

Almarai continued to enjoy a strong credit standing with various government and non government financial and lending institutions, as well as from fixed income investors from both domestic and international markets.

This favorable position results from Almarai's predictable positive operating cash flows and its clear strategy for sustainable growth.

Existing financing amounted to SAR 11,115.0 million at the end of 2020, in the form of Murabaha banking facilities compliant with Sharia (excluding the banking facilities of foreign and 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 2,564.1 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.

Source of Financing	Amount of Core Funding	Financing Period	Payment Method	Start of year 2019	Additions during the year	Paid during the year	31-Dec-20	Maturity Date
Banks and Financial Institutions (Islamic Banking Facilities).	9,851.6	2-10 years	Quarterly, semi-annual and annual	5,119.5	4,609.9	5,312.8	4,416.6	2020-2027
Banking Facilities of Foreign Subsidiaries	810.5	1-7 years	Quarterly, semi-annual and annual	363.3	201.3	206.1	358.5	2020-2023
Saudi Industrial Development Fund	2,421.2	1-11 years	Semi-annual	2,665.5	-	244.2	2,421.2	2020-2028
Supranational	929.4	1 to 9 years	Semi-annual	276.1	-	3.4	272.7	2020-2026
Agricultural Development Fund	142.8	11 years	Annual	159.2	1.9	18.2	142.8	2020-2027
Sukuk - Second Tranche - 1	-	7 years	Lump sum	787.0	-	787.0	-	March 2020
Sukuk - Fourth Tranche	1,608.6	7 years	Lump sum	1,621.2	-	12.6	1,608.6	September 2022
International Sukuk	1,894.5	5 years	Lump sum	1,892.0	-	(2.5)	1,894.5	March 2024
<b>Total</b>	<b>17,658.6</b>			<b>12,883.7</b>	<b>4,813.1</b>	<b>6,581.9</b>	<b>11,115.0</b>	

## Classification of Funding (SAR million)

Classification	2020 (SAR million)	2019 (SAR million)
Short Term Loans	55.4	51.4
Current Portion of Long Term Loans	970.6	1,935.0
Loans- Non-Current Liabilities	10,089.0	10,897.3
<b>Total</b>	<b>11,115.0</b>	<b>12,883.7</b>

## Maturity of Funding - discounted value (SAR million)

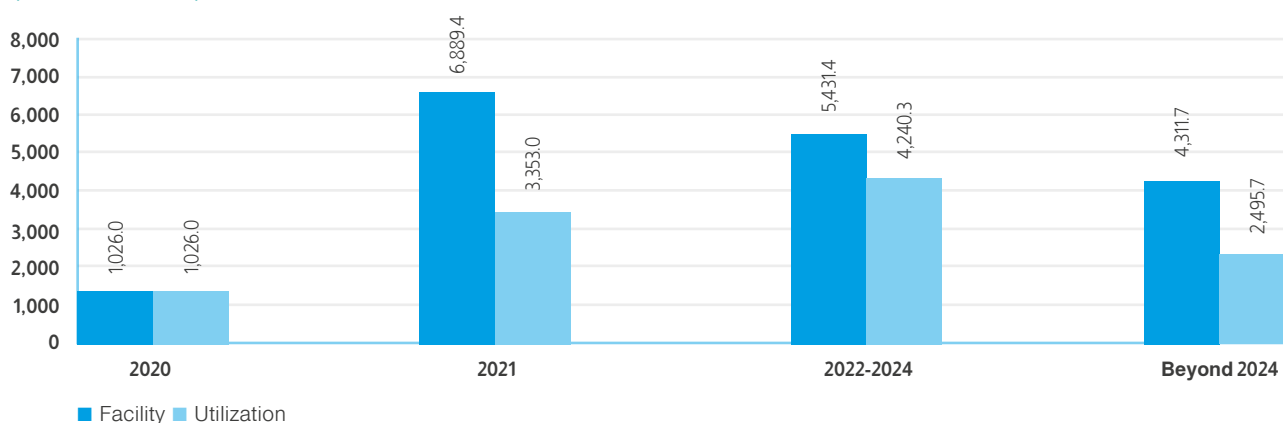
Maturity	2020 (SAR million)	2019 (SAR million)
Less than One Year	1,026.0	1,986.0
One to Two Years	3,353.0	1,749.7
Two to Five Years	4,240.3	5,811.8
Greater than Five Years	2,495.7	3,336.2
<b>Total</b>	<b>11,115.0</b>	<b>12,883.7</b>

## Potential Financing

Due to the continuing need to finance Almarai's current operations and potential future investments, Almarai manages any excess cash and constantly provides the necessary financing solutions for all operational needs,

as well as funding proposals for cost efficient financing facilities. The volume of unutilized banking facilities and available government financing amounted to SAR 6,543.6 million at the end of 2020.

## Facilities and Utilization (SAR million)





# FINANCIAL STATEMENTS



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# Independent auditor's report to the shareholders of Almarai Company

## Report on the audit of the consolidated financial statements

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Almarai Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, 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 the Saudi Organization for Certified Public Accountants (SOCPA).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

### Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, 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.

### Our audit approach

#### Overview

Key Audit Matters

- Carrying value of goodwill
- Carrying value of biological assets
- Attendance at inventory counts

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

## 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 period. 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.

### Key audit matter

### How our audit addressed the Key audit matter

#### Carrying value of goodwill

At 31 December 2020, the Group had goodwill, which arose on past business combinations, amounting to Saudi Riyals 942.3 million.

In accordance with IAS 36 "Impairment of assets", an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). Management carried out an impairment exercise as at 31 December 2020 in respect of goodwill allocated to each CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which was based on the most recent formal business plan prepared by the Group's management updated for subsequent events including the impact of the Covid-19 global pandemic. This exercise did not identify any impairment loss to be recognized.

We considered impairment testing of goodwill performed by the management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment are:

- a) assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;
- b) assumptions of the impact of the future actions of the Group's main competitors on expected revenue and gross margin assumptions; and

We audited management's assessment of goodwill impairment by performing the following procedures:

- Assessed the methodology used by management to determine a recoverable value based on the value-in-use of the assets in each CGU and compared it to that required by IAS 36. We enquired and discussed with management any changes made to the impairment model in the current year and tested the arithmetical accuracy of the model;
- Tested the accuracy and relevance of the input data used in the model by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;
- Reviewed the methodology applied that underpins the value-in-use calculations and use of key assumptions including sales growth rates and terminal growth rates (including terminal value multiples, where applicable); and
- Performed sensitivity analyses over the key assumptions, principally sales growth rate and terminal growth rates (including terminal value multiples, where applicable), in order to assess the potential impact of a range of possible outcomes.

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements, for compliance with the relevant accounting standards.

# Independent auditor's report to the shareholders of Almarai Company

continued

## Report on the audit of the consolidated financial statements

Key audit matter	How our audit addressed the Key audit matter
<p><b>Carrying value of goodwill</b> (continued)</p> <p>c) sales growth rates and terminal growth rates (including terminal value multiples where used) used in the value-in-use model.</p> <p>Refer to Note 5.13 for the accounting policy and Note 10 for the related disclosures in the accompanying consolidated financial statements.</p>	

Key audit matter	How our audit addressed the Key audit matter
<p><b>Carrying value of biological assets</b></p> <p>As indicated in Note 11 to the consolidated financial statements, the carrying value of biological assets as at 31 December 2020 amounted to Saudi Riyals 1,482 million. This includes Saudi Riyals 1,329 million relating to the Group's dairy herd.</p> <p>IAS 41 "Agriculture" requires biological assets to be measured at fair value less costs to sell, unless the fair value cannot be reliably measured. Management has determined that fair value cannot be reliably measured for the Group's dairy herd and have therefore accounted for the dairy herd at cost less accumulated depreciation and impairment losses.</p> <p>We considered this to be a key audit matter as the determination that fair values cannot be reliably measured is largely based on management's judgement supported by detailed analysis and the carrying value of such assets is material to the consolidated financial statements. An alternative approach could have a material effect on the Group's reported profit for the year and its financial position at 31 December 2020.</p> <p>Refer to Note 5.12 for the accounting policy and Notes 6.1 and 30.1 for the related disclosures in the accompanying consolidated financial statements.</p>	<p>We performed the following procedures in relation to the carrying value of the dairy herd.</p> <ul style="list-style-type: none"> <li>• Obtained a detailed understanding of management's basis for rebutting the presumption of IAS 41 for measuring biological assets at fair value less costs to sell. We considered accounting practices used elsewhere for similar entities both within the Kingdom of Saudi Arabia and also overseas;</li> <li>• Assessed management's assertion that market value based (Level I and II) valuation approaches are not possible by investigation of relevant markets available to the Group and consideration of the differences between the Group's dairy herd operations compared to other similar entities;</li> <li>• Considered management's assertion that a discounted cash flow or replacement cost (Level III) approach would result in a fair value that is clearly unreliable by reviewing the management analysis and support for such an assertion and comparing it to our understanding of the business; and</li> <li>• Compared the basis on which management capitalises and depreciates the dairy herd to the approach followed by relevant accounting standards.</li> </ul> <p>We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to biological assets, for compliance with relevant accounting standards.</p>

## Key audit matter

## How our audit addressed the Key audit matter

### Attendance at inventory counts

As described in Note 14, the carrying value of the Group's inventories as at 31 December 2020 was Saudi Riyals 4,705 million.

In response to the spread of Covid-19 in GCC and other territories where the Group operates, the Group implemented strict biosecurity and hygiene measures on all of its sites starting from the first week of April 2020. Consequently, physical access to approximately 86% of the carrying value of inventory of such sites has been significantly restricted since then, and those restrictions continued to apply as at, and beyond, the year end.

Due to these restrictions to such sites for a majority of the year-end inventory counts, we attended such counts through remote viewing.

We considered this to be a key audit matter because of the significance of the overall inventory balance as at 31 December 2020 and because attendance at inventory counts is a required audit procedure under International Standards on Auditing. In addition, the increased audit risk created by these physical access restrictions, necessitated additional audit procedures and more extended testing to mitigate the audit risk related to the existence of inventories.

We performed the following procedures:

- Assessed the implications of Covid-19 on management's processes and controls for inventory counts subject to remote viewing and corroborated the status of sites subject to access restrictions;
- Obtained an understanding of the status of inventory movement, before, during and after the count and related count activities for the inventory count locations under the circumstances;
- Assessed whether there was any indication of heightened risk of fraud or error as a result of the situation. This included an assessment of the nature of inventory and susceptibility of such inventory to material unauthorised movement around the inventory count date;
- Evaluated, based on cumulative audit knowledge and experience, the accuracy of the perpetual inventory records, the results of the inventory counts carried out in 2019 which we attended in person and the risk of significant misstatement remaining undetected arising from attending inventory counts through remote viewing as compared to physical attendance;
- Performed increased sample sizes for testing inventory counts and ensured that audit staff with prior familiarity with the physical locations were utilised; and
- As part of the remote viewing count observations considered the following factors:
  - ability of the management to facilitate remote viewing, in a manner that was sufficiently controlled and directed by us for our auditing purposes;
  - ability of the audit team to verify locations and understand the physical layouts of the facilities where counts were taking place; and
  - ability of management to live stream the observation procedures for the audit team to observe the count, in an uninterrupted manner.

# Independent auditor's report to the shareholders of Almarai Company

continued

## Report on the audit of the consolidated financial statements

### Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's 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 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 of the Group, if we 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, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 i.e. the Board of Directors are responsible for overseeing the Group's financial reporting process.

### Auditor's 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 auditor's 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 scepticism 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 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, we are required to draw attention in our auditor's 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 auditor's 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's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 period and are therefore the key audit matters. We describe these matters in our auditor's 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.

## PricewaterhouseCoopers



Omar M. Al Sagga  
License Number 369



24 January 2021

# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	For the year ended 31 December	
		2020 SAR '000	2019 Restated (Note 2.2) SAR '000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	21,112,904	21,951,398
Long-term Prepayments	8	606,939	625,490
Right-of-Use Assets	9	470,269	461,375
Intangible Assets and Goodwill	10	1,217,642	1,128,533
Biological Assets	11	1,392,079	1,381,268
Investments in Associate and Joint Venture	12	89,623	88,029
Equity Investment	12	129,734	145,684
Derivative Financial Instruments	37	142	725
Deferred Tax Assets	24	35,517	40,836
		<b>25,054,849</b>	<b>25,823,338</b>
<b>Current Assets</b>			
Inventories	14	4,705,364	4,198,005
Biological Assets	11	90,195	96,462
Trade Receivables, Prepayments and Other Receivables	15	1,936,341	1,868,895
Derivative Financial Instruments	37	54,047	13,751
Time Deposit	16	-	590,038
Cash and Bank Balances	17	503,510	557,553
		<b>7,289,457</b>	<b>7,324,704</b>
		<b>32,344,306</b>	<b>33,148,042</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
Share Capital	18	10,000,000	10,000,000
Statutory Reserve		2,428,915	2,230,479
Treasury Shares	19	(906,594)	(770,740)
Other Reserves	20	(443,871)	(450,587)
Retained Earnings		4,608,458	3,644,197
<b>Equity Attributable to Equity Holders of the Company</b>		<b>15,686,908</b>	<b>14,653,349</b>
Non-Controlling Interests	21	546,771	605,771
		<b>16,233,679</b>	<b>15,259,120</b>
<b>TOTAL EQUITY</b>			
<b>Non-Current Liabilities</b>			
Loans and Borrowings	22	10,088,955	10,897,327
Lease Liabilities	9	330,980	335,659
Employee Retirement Benefits	23	909,353	826,399
Derivative Financial Instruments	37	3,757	1,556
Deferred Tax Liabilities	24	102,139	103,328
		<b>11,435,184</b>	<b>12,164,269</b>
<b>Current Liabilities</b>			
Bank Overdrafts	34	137,512	219,118
Loans and Borrowings	22	1,026,013	1,986,393
Lease Liabilities	9	94,509	95,750
Zakat	25	371,993	363,488
Income Tax Payable	25	26,311	31,578
Trade and Other Payables	26	3,014,834	3,019,160
Derivative Financial Instruments	37	4,271	9,166
		<b>4,675,443</b>	<b>5,724,653</b>
		<b>16,110,627</b>	<b>17,888,922</b>
		<b>32,344,306</b>	<b>33,148,042</b>
<b>TOTAL LIABILITIES</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>			

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

**Danko Maras**  
Chief Financial Officer

**Bader Abdullah Al Issa**  
Managing Director

**HH Prince Naif Bin Sultan Bin Mohammed  
Bin Saud Al Kabeer**  
Chairman

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	For the year ended 31 December	
		2020 SAR '000	2019 SAR '000
Revenue	33	15,356,948	14,351,277
Cost of Sales	27	(9,821,440)	(8,984,603)
<b>Gross Profit</b>		<b>5,535,508</b>	<b>5,366,674</b>
Selling and Distribution Expenses	28	(2,490,479)	(2,376,328)
General and Administration Expenses	29	(419,790)	(400,273)
Other Expenses, net	30	(78,428)	(88,672)
Impairment Loss on Financial Assets		(24,477)	(28,193)
<b>Operating Profit</b>		<b>2,522,334</b>	<b>2,473,208</b>
Finance Cost, net	31	(495,881)	(550,739)
Share of Results of Associate	12	1,405	-
<b>Profit before Zakat and Income Tax</b>		<b>2,027,858</b>	<b>1,922,469</b>
Zakat	25	(72,042)	(71,426)
Income Tax	24, 25	(20,260)	(49,471)
<b>Profit for the year</b>		<b>1,935,556</b>	<b>1,801,572</b>
<b>Profit / (Loss) for the year attributable to:</b>			
Shareholders of the Company		1,984,361	1,811,753
Non-Controlling Interests		(48,805)	(10,181)
		<b>1,935,556</b>	<b>1,801,572</b>
<b>Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company</b>			
- Basic	32	2.02	1.83
- Diluted	32	1.98	1.81

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Managing Director

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Bin Saud Al Kabeer**  
Chairman

# Consolidated Statement of Comprehensive Income

## For the year ended 31 December 2020

	Notes	For the year ended 31 December	
		2020 SAR '000	2019 SAR '000
<b>Profit for the year</b>		<b>1,935,556</b>	<b>1,801,572</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial Loss on End of Service Benefits	23	(25,459)	(65,770)
Change in the Fair Value of Equity Investment through FVOCI	12	(15,950)	43,060
Settlement of Cash Flow Hedges transferred to Inventory / PPE		(29,950)	(36,049)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign Currency Translation Differences		4,713	85,007
Movement in Fair Value on Cash Flow Hedges		35,324	45,968
Settlement of Cash Flow Hedges transferred to Profit or Loss		33,992	(9,784)
Other Comprehensive Income for the year, net of Income Tax		2,670	62,432
<b>Total Comprehensive Income for the year</b>		<b>1,938,226</b>	<b>1,864,004</b>
<b>Total Comprehensive Income / (Loss) for the year attributable to:</b>			
Shareholders of the Company		1,980,597	1,836,774
Non-Controlling Interests		(42,371)	27,230
		<b>1,938,226</b>	<b>1,864,004</b>

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# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share Capital SAR '000	Statutory Reserve SAR '000	Treasury Shares SAR '000	Other Reserves SAR '000	Retained Earnings SAR '000	Equity Attributable to Equity Holders SAR '000	Non-Controlling Interests SAR '000	Total Equity SAR '000
<b>Balance at 1 January 2019</b>	10,000,000	2,049,304	(593,567)	(520,500)	2,941,346	13,876,583	586,061	14,462,644
Profit / (Loss) for the year	-	-	-	-	1,811,753	1,811,753	(10,181)	1,801,572
Other Comprehensive Income / (Loss) for the year	-	-	-	89,122	(64,101)	25,021	37,411	62,432
Total Comprehensive Income	-	-	-	89,122	1,747,652	1,836,774	27,230	1,864,004
Transfer during the year	-	181,175	-	-	(181,175)	-	-	-
Directors' Remuneration	-	-	-	-	(5,050)	(5,050)	-	(5,050)
Impact of Change in Functional Currency of Overseas Operations	-	-	-	-	(13,602)	(13,602)	-	(13,602)
<b>Transactions with Owners in their Capacity as Owners</b>								
Dividend Declared SAR 0.85 per Share	-	-	-	-	(850,000)	(850,000)	-	(850,000)
Share Based Payment Transactions	-	-	-	17,722	-	17,722	-	17,722
Settlement of Treasury Shares	-	-	137,757	(36,931)	5,026	105,852	-	105,852
Purchase of Treasury shares	-	-	(314,930)	-	-	(314,930)	-	(314,930)
Transactions with Non Controlling Interests	-	-	-	-	-	-	(7,520)	(7,520)
<b>Balance at 31 December 2019</b>	10,000,000	2,230,479	(770,740)	(450,587)	3,644,197	14,653,349	605,771	15,259,120
<b>Balance at 1 January 2020</b>	10,000,000	2,230,479	(770,740)	(450,587)	3,644,197	14,653,349	605,771	15,259,120
Profit / (Loss) for the year	-	-	-	-	1,984,361	1,984,361	(48,805)	1,935,556
Other Comprehensive Income / (Loss) for the year	-	-	-	23,829	(27,593)	(3,764)	6,434	2,670
Total Comprehensive Income / (Loss)	-	-	-	23,829	1,956,768	1,980,597	(42,371)	1,938,226
Transfer during the year	-	198,436	-	-	(198,436)	-	-	-
Directors' Remuneration	-	-	-	-	(5,767)	(5,767)	-	(5,767)
<b>Transactions with Owners in their Capacity as Owners</b>								
Dividend Declared SAR 0.85 per Share	-	-	-	-	(850,000)	(850,000)	-	(850,000)
Reclassification of Dividend Declared on Treasury Shares in Prior Years	-	-	-	-	41,546	41,546	-	41,546
Share Based Payment Transactions	-	-	-	15,398	-	15,398	-	15,398
Settlement of Treasury Shares	-	-	114,607	(32,511)	20,150	102,246	-	102,246
Purchase of Treasury shares	-	-	(250,461)	-	-	(250,461)	-	(250,461)
Transactions with Non Controlling Interests	-	-	-	-	-	-	(16,629)	(16,629)
<b>Balance at 31 December 2020</b>	10,000,000	2,428,915	(906,594)	(443,871)	4,608,458	15,686,908	546,771	16,233,679

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

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Managing Director

**HH Prince Naif Bin Sultan Bin Mohammed Bin Saud Al Kabeer**  
Chairman

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	For the year ended 31 December	
		2020 SAR '000	2019 Restated (Note 2.2) SAR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		1,935,556	1,801,572
Adjustments for non-cash items:			
Depreciation of Property, Plant and Equipment	7	1,600,408	1,625,982
Amortization of Long-term Prepayments	8	20,759	12,644
Depreciation of Right-of-Use Assets	9	108,505	101,788
Amortization of Intangible Assets	10	56,681	49,938
Depreciation of Biological Assets	11	349,178	384,123
Loss/(Gain) arising from Changes in Fair Value less Cost to Sell of Crops		3,800	(4,030)
Provision for Employee Retirement Benefits	23	119,085	117,899
Share Based Payment Expense		15,398	17,722
Finance Cost, net	31	495,881	550,739
Other Expenses, net		93,887	88,972
Share of Results of Associate	12	(1,405)	-
Zakat	25	72,042	71,426
Income Tax	24,25	20,260	49,471
		4,890,035	4,868,246
Changes in Working Capital:			
Inventories		1,148,049	1,068,299
Biological Assets		(1,650,036)	(1,345,618)
Trade Receivables, Prepayments and Other Receivables		(65,165)	142,850
Trade and Other Payables		26,522	79,860
Cash Flow Used in Working Capital		(540,630)	(54,609)
Employee Retirement Benefits Paid	23	(61,590)	(62,279)
Zakat and Income Tax Paid	25	(84,763)	(19,277)
<b>Net Cash Generated from Operating Activities</b>		<b>4,203,052</b>	<b>4,732,081</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Movement in Time Deposit	16	585,000	(585,000)
Investment in Associate	12	-	(87,825)
Proceeds from Sale of Right Issues of Equity Investment	12	15,279	-
Acquisition of Subsidiary, net of Cash Acquired	13	-	(97,593)
Acquisition of Additional Shares of a Subsidiary		-	(43,500)
Dividend from Equity Investment	30	180	300
Additions to Property, Plant and Equipment		(823,691)	(1,516,698)
Proceeds from the Disposal of Property, Plant and Equipment		110,636	45,937
Additions to Intangible Assets	10	(144,971)	(132,983)
Additions to Biological Assets		(119,968)	(125,695)
Appreciation of Biological Assets		(644,437)	(629,785)
Proceeds from the Disposal of Biological Assets		234,345	228,789
<b>Net Cash Used in Investing Activities</b>		<b>(787,627)</b>	<b>(2,944,053)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Loans and Borrowings		4,813,121	6,900,918
Repayment of Loans and Borrowings		(6,581,891)	(7,704,400)
Finance Cost Paid		(467,844)	(524,609)
Dividend Paid		(847,896)	(849,969)
Purchase of Treasury Shares	19	(250,461)	(314,930)
Settlement of Treasury Shares		102,246	105,852
Transactions with Non Controlling Interests		(23,889)	35,516
Lease Payments		(125,170)	(103,366)
Directors' Remuneration		(5,767)	(5,050)
<b>Net Cash Used in Financing Activities</b>		<b>(3,387,551)</b>	<b>(2,460,038)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>27,874</b>	<b>(672,010)</b>
Cash and Cash Equivalents at 1 January		338,435	1,003,581
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		(311)	6,864
<b>Cash and Cash Equivalents at 31 December</b>	34	<b>365,998</b>	<b>338,435</b>

The accompanying notes 1 to 42 form an integral part of these Consolidated Financial Statements, which have been authorized for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

**Danko Maras**  
Chief Financial Officer

**Bader Abdullah Al Issa**  
Managing Director

**HH Prince Naif Bin Sultan Bin Mohammed  
Bin Saud Al Kabeer**  
Chairman

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 share in Saudi Arabia. It also operates in Egypt, Jordan and other Gulf Cooperation Council (“GCC”) countries.

Dairy, Fruit Juices and related food business is operated under the “Almarai”, “Joosy Life”, “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 a controlling interest. The Group manages IDJ operations through the 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 venture with Chipita Group, in which the Company holds a controlling interest, under the brand names “L’usine” and “7 Days”, respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the “Alyoum” and “AlBashayer” brand names.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under “Nuralac” and “Evolac” brand names.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION continued

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 GCC countries are managed through subsidiaries in UAE, Oman and Bahrain and an agency agreement in Kuwait as follows:

#### **UAE**

Almarai Emirates Company LLC

#### **Oman**

Arabian Planets for Trading and Marketing LLC

#### **Bahrain**

Almarai Company Bahrain S.P.C

#### **Kuwait**

Al Kharafi Brothers Dairy Products Company Limited

In other territories, where permissible by law, export sales are made through other subsidiaries.

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

#### **USA**

Fondomonte Holdings North America LLC

#### **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.

The Group owns 93.5% shares in Pure Breed Poultry Company Limited whose main operations are focused on poultry grandparent farming.

In response to the spread of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets, Management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Group's operations remained largely unaffected as the food industry in general was exempt from the various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The underlying demand from retail and wholesale customers for the Group's products has been largely unaffected, although some small shifts in product mix were apparent. Based on these factors, Management believes that the Covid-19 pandemic has had no material effect on Almarai's reported financial results for the year ended 31 December 2020.

The Group continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2021 or beyond.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 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
Almarai Investment Company Limited	Saudi Arabia	Holding Company
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company
Almarai Agricultural and Livestock Production Company Limited	Saudi Arabia	Dormant
Almarai Construction Company Limited	Saudi Arabia	Dormant
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Dormant
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Dormant
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
Hail Agricultural and Livestock Production Company Limited	Saudi Arabia	Dormant
International Baking Services Company Limited	Saudi Arabia	Dormant
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant
Modern Food Industries Company Limited	Saudi Arabia	Bakery Company
Nourlac Company Limited	Saudi Arabia	Dormant
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company
Premier Food Industries Company L.L.C (Refer note 13)	Saudi Arabia	Manufacturing and Trading Company
Artas United Limited Company	Saudi Arabia	Transportation and Storage Company
Agro Terra S.A.	Argentina	Dormant
Fondomonte South America S.A.	Argentina	Agricultural Company
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company
International Dairy and Juice Limited	Bermuda	Holding Company
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company
International Dairy and Juice Farm Egypt (S.A.E.)	Egypt	Liquidated Company
Beyti for Importation and Exportation Company L.L.C.	Egypt	Trading Company
BDC Info Private Limited	India	Operations Management
Markley Holdings Limited	Jersey	Dormant
Al Muthedoon for Dairy Production	Jordan	Dormant
Al Atheer Agricultural Company	Jordan	Livestock / Agricultural Company
Al Namouthjya for Plastic Production	Jordan	Dormant
Al Rawabi for Juice and UHT Milk Manufacturing	Jordan	Manufacturing Company
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company
Alyoum for Food Products Company L.L.C.	Oman	Dormant
Fondomonte Inversiones S.L.	Spain	Holding Company
Hail Development Company Limited	Sudan	Dormant
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Under Liquidation
BDC International L.L.C.	United Arab Emirates	Operations Management
Fondomonte Holding North America L.L.C.	United States of America	Holding Company
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company
Fondomonte California L.L.C.	United States of America	Agricultural Company
Hayday Farm Operation L.L.C.	United States of America	Agricultural Company

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

## Ownership Interest

2020		2019		Share Capital	Number of Shares Issued
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
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
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
100%	100%	100%	100%	SAR 3,000,000	3,000
100%	100%	100%	100%	SAR 200,000,000	200,000
94%	94%	94%	94%	SAR 46,500,000	465,000
100%	100%	100%	100%	SAR 500,000	50,000
100%	100%	N/A	N/A	SAR 10,000	100
100%	100%	100%	100%	ARS 5,097,984	5,097,984
100%	100%	100%	100%	ARS 2,211,988,598	2,211,988,598
100%	100%	100%	100%	BHD 100,000	2,000
99%	99%	99%	99%	BHD 34,450,000	344,500
52%	52%	52%	52%	BHD 250,000	2,500
52%	52%	52%	52%	USD 7,583,334	7,583,334
52%	52%	52%	52%	EGP 3,233,750,000	323,375,000
52%	52%	52%	52%	EGP 3,802,366,670	380,236,667
-	-	52%	52%	EGP 1,000,000	100,000
52%	52%	52%	52%	EGP 2,000,000	2,000
100%	100%	100%	100%	INR 2,750,680	275,068
100%	100%	100%	100%	GBP 5,769,822	5,769,822
52%	52%	52%	52%	JOD 500,000	500,000
52%	52%	52%	52%	JOD 750,000	750,000
52%	52%	52%	52%	JOD 250,000	250,000
52%	52%	52%	52%	JOD 500,000	500,000
52%	52%	52%	52%	JOD 21,935,363	21,935,363
90%	90%	90%	90%	OMR 150,000	150,000
100%	100%	100%	100%	OMR 20,000	20,000
100%	100%	100%	100%	EUR 138,505,946	138,505,946
100%	100%	100%	100%	SDG 100,000	100
100%	100%	100%	100%	AED 300,000	300
52%	52%	52%	52%	USD 22,042,183	22,042,183
100%	100%	100%	100%	AED 200,000	200
100%	100%	100%	100%	USD 500,000	50,000
100%	100%	100%	100%	USD 500,000	50,000
100%	100%	100%	100%	-	-
100%	100%	100%	100%	-	-

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 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").

#### 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.
- Equity Investment at Fair Value through Other Comprehensive Income ("FVOCI") is measured at fair value.
- The defined benefit obligation is recognized at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, where fair value is reliably measurable, have been valued at fair value. (Refer note 6.1)

Certain comparative amounts have been restated as explained below:

Long-term prepayments comprise of amounts paid to the Saudi Electricity Company ("SEC") in prior periods for the commissioning and installation of exclusive power grids at the manufacturing sites and were recognized under capital work in progress account during the said periods. These power grids were installed to ensure the uninterrupted and high voltage electricity supply to the processing plants located in Hail and Alkharj. Subsequently, such payments were capitalized in May 2019 as part of Property, Plant Equipment ("PPE") when the construction on underlying infrastructure was completed.

During the year, the Group has reassessed, in detail, the relevant agreements and concluded that it does not have sufficient control over the underlying assets to support classification as PPE. However, it has concluded that the relevant agreements do provide a substantial benefit to the Group over the period of the respective agreements in the form of uninterrupted power supply and therefore the amounts paid would be better presented as long-term prepayments to be amortized over the period of the agreement.

The Group has not presented the third balance sheet column as at 1 January 2019 in the statement of financial position to reflect the impact of the restatement because the management believes that presentation of such information does not materially affect the decision of the users of these Consolidated Financial Statements.

The restatement of these amounts in the Consolidated Financial Statements, along with the adjustments to the Consolidated Statement of Finance Position as at 1 January 2019 that would have been disclosed had a third balance sheet been presented, are as follows:

	As Reported SAR '000	Restatement SAR '000	Restated SAR '000
<b>1 January 2019</b>			
Property, Plant and Equipment	22,606,542	(628,418)	21,978,124
Long-term Prepayments	-	628,418	628,418
Non-Current Assets	25,693,475	-	25,693,475
<b>31 December 2019</b>			
Property, Plant and Equipment	22,576,888	(625,490)	21,951,398
Long-term Prepayments	-	625,490	625,490
Non-Current Assets	25,823,338	-	25,823,338

As a consequence of the above restatement, depreciation for the year ended 31 December 2019 amounting to SAR 12.6 million was reclassified to amortization of long-term prepayments (notes 7 and 8).

The Group has not restated the Consolidated Statement of Profit or Loss for the year ended 31 December 2019 and Consolidated Statement of Changes in Equity as at 31 December 2019 and 1 January 2019 as the difference between the depreciation of PPE and amortization of the long-term prepayments is considered immaterial. Further, the restatement does not materially affect key performance indicators nor calculations used to determine compliance with loan covenants.

### 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 and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non-Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any unrealized 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.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 4. FUNCTIONAL AND PRESENTATION CURRENCY

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

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### 5.1. New Standards, Amendment to Standards and Interpretations:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020.

##### 5.1.1. Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

##### 5.1.2. Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

##### 5.1.3. Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Consolidated Statement of Profit or Loss.

The adoption of above amendments do not have any material impact on the Consolidated Financial Statements during the year.

#### 5.2. 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 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

##### 5.2.1. Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

### 5.2.2. Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

### 5.3. Annual Improvements to IFRSs 2018–2020 Cycle

These improvements are effective on or after 1 January 2021.

- IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 per cent test" in order to assess whether to derecognize a financial liability.
- IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.
- IAS 41, 'Agriculture' - Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

### 5.4. Cash and Bank Balances

For the purpose of Consolidated Statement of Financial Position, cash and bank balances include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

### 5.5. Cash and Cash Equivalents

For the purpose of Consolidated Statement of Cash Flows, cash and cash equivalents includes bank balances, cheques in hand 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.

### 5.6. Time Deposits

Time Deposits include placements with banks and other short-term highly liquid investments, with original maturities of more than three months but not more than one year from the date of placement. Time deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk.

Investment income in time deposits is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

### 5.7. Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventories. Net realizable 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 recognized 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.

Spares are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

#### 5.8. Investments in Associates and Joint Venture

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 recognized in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize 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 recognizing its share of further losses. Additional losses are recognized 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 recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

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 recognized 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 recognized immediately in the 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 recognized 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.

#### 5.9. Property, Plant and Equipment

Property, Plant and Equipment, including bearer plants, are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant until its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognized in the Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalized 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.

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets, except for certain Plant and Equipment which are depreciated using the units of production method, where depreciation is charged based on the expected use or output.

Buildings	5-40 years
Plant, Machinery and Equipment	2-20 years
Motor Vehicles	6-10 years
Bearer Plants	2-40 years

Land, Capital Work in Progress and Immature plants are not depreciated.

Capital work in progress at year end includes certain asset 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.

### 5.10. Long-term Prepayments

Long-term prepayments comprise of amounts paid to or paid on behalf of the SEC in prior periods for the commissioning and installation of exclusive power grids at the manufacturing sites and are amortized over the period of the respective agreements.

### 5.11. Right-of-Use Assets and Lease Liabilities

The Group has recognized new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation/office rental premises, commercial vehicles etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

- i. Right-of-use assets are measured at cost comprising the following:
  - the amount of the initial measurement of lease liability;
  - any lease payments made at or before the commencement date less any lease incentives received;
  - any initial direct costs; and
  - restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation

- ii. Lease liabilities include the net present value of the following lease payments:
  - fixed payments (including in-substance fixed payments), less any lease incentives receivable;
  - variable lease payments that are based on an index or a rate;
  - amounts expected to be payable by the lessee under residual value guarantees;
  - the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

#### 5.12. 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 summarized below:

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

#### 5.13. Intangible Assets and Goodwill

##### Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives of 3-5 years.

Subsequent expenditure is capitalized 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 (Also see note 5.18.2. Any impairment loss for goodwill is recognized directly in the Consolidated Statement of Profit or Loss. An impairment loss recognized 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.

#### 5.14. Provisions

A provision is recognized 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.

#### 5.15. Zakat and 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 income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### 5.16. Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses 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 recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

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 realized, 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.

#### 5.17. Financial Instruments

##### 5.17.1. Non-Derivative Financial Instruments

###### a) Non-Derivative Financial Assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

The Group de-recognizes 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 recognized 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 realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets;

###### Financial Assets at Amortized Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost. A gain or loss on a debt investment subsequently measured at amortized cost and not part of a hedging relationship is recognized in the Consolidated Statement of Profit or Loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

###### Financial Assets at FVOCI

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying

amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in the Consolidated Statement of Profit or Loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

When the financial asset is de-recognized, the cumulative gain or loss previously recognized in OCI, is reclassified from equity to the Consolidated Statement of Profit or Loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

#### **b) Non-Derivative Financial Liabilities**

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

The Group de-recognizes 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 realize the asset and settle the liability simultaneously.

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

Non-derivative financial liabilities of the Group comprise of bank borrowings and trade and other payables.

#### **5.17.2. Derivative Financial Instruments and Hedge Accounting**

Derivative financial instruments including forward foreign exchange contracts, commission rate swaps and commodity derivatives are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Any related transaction costs are recognized in the Consolidated Statement of Profit or Loss as incurred. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

Subsequent to initial recognition, any change in fair value is recognized on the basis of hedge accounting.

The Group designates its derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and commodity price risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in the Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity. The ineffective portion, if material, is recognized in the Consolidated Statement of Profit or Loss, within other gains/(losses). In hedges of foreign currency contracts, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. In hedges of interest rate swaps, ineffectiveness may arise if the credit value/debit value adjustment on the interest rate swaps is not matched by the loan. In hedges of commodity purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, and changes in the credit risk of the Group or the derivative counterparty.

The amount accumulated in equity is reclassified to the 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 the Consolidated Statement of Profit or Loss.

The fair values of derivative financial instruments designated in hedge relationships, in shareholders' equity are disclosed in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### 5.18. Impairment

##### 5.18.1. Non-Derivative Financial Assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortized cost and FVOCI.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

##### 5.18.2. 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).

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.

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.

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 recognized immediately in the Consolidated Statement of Profit or Loss.

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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss.

### **5.19. Employee Retirement Benefits**

Employee Retirement 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 recognized immediately in the 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 recognized in the Consolidated Statement of Profit or Loss.

### **5.20. Statutory Reserve**

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognize a reserve comprising of 10% of its profit for the year. This reserve is currently not distributable to the Shareholders.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

#### 5.21. Sukuk

The Group classifies Sukuk issued as a financial liability 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 is classified as a liability.

#### 5.22. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Stock Option Programme ("ESOP"), are recognized 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 recognized 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 recognized in retained earnings.

#### 5.23. 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 recognized 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 vesting conditions are fulfilled.

The Group has set up an economic hedge by purchasing Treasury Shares at inception of the 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 recognized 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 the ESOP are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized 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 the ESOP is terminated, it is treated as if the Options vested on the date of termination, and any expense not yet recognized for the award is recognized 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.

#### 5.24. Conversion of Foreign Currency Transactions

Foreign currency transactions are converted and recorded 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, monetary 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 differences are charged or credited to the Consolidated Statement of Profit or Loss as appropriate.

As at the reporting date, the assets and liabilities of these subsidiaries are translated into Saudi Riyal (SAR), 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 year. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded through Consolidated Statement of Other Comprehensive Income as a separate component of equity.

### 5.25. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods.

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products. Expected sales returns are netted off against revenue with the corresponding impact in 'trade and other payables' for cash sales and 'trade receivables' for credit sales.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The related liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made during the year.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

### 5.26. Government Grants

The Group receives government grants on import of feeds for its biological assets and production of infant nutrition products. 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 the 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.

### 5.27. 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.

### 5.28. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

#### 5.29. 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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalized during idle periods.

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 recognized in the Consolidated Statement of Other Comprehensive Income and released to the 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 capitalized 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 capitalization.

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

#### 5.30. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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 relevant Business Heads' which in the 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 relevant Business Heads' include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's operating segments are analyzed and aggregated based on the nature of products and uniformity in the production processes

### 6. USE OF JUDGEMENTS AND ESTIMATES

The preparation of these Consolidated Financial Statements, in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia, 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 recognized prospectively.

#### 6.1. Judgement

Information about the judgement made in applying the Group's accounting policy on biological assets with respect to dairy herd and poultry flock is given below;

**Dairy Herd:** At cost less accumulated depreciation and impairment losses. IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Management has concluded as follows:

**Level 1 -** there is no active market for dairy cows in the Kingdom of Saudi Arabia and therefore a level 1 valuation is not possible.

**Level 2 -** there is no observable market data available and due to the significant differences in location, environment, associated costs, average yield per dairy animal, majority of distribution within the Kingdom of Saudi Arabia and distance to active markets means that a level 2 valuation is not possible.

**Level 3 -**

- i) Discounted cash flow ("DCF") techniques (income or market approach) - the lack of a relevant market for unpasteurized milk or any other intermediate product requires that any DCF valuation technique would use overall revenue as a basis for any valuation and then eliminate costs and associated profit margin relating to pasteurization, manufacturing, packaging and sales and distribution so as to determine the net indirect cash inflows arising from the production of unpasteurized milk. Management considers that any fair value so derived would be clearly unreliable as the costs of the dairy herd operation are a relatively small part of the Group's overall activities and any imputed cash flows derived from such a valuation approach would be overly dependent on a large number of assumptions, many of which could not be derived from, or compared to, market assumptions or observed data.
- ii) Cost or current replacement cost - management considers that any replacement cost approach would need to incorporate the cost of replacing new-born calves. As discussed above, level 1 and 2 valuations for dairy animals are not possible.

As the dairy herd is currently accounted for at cost less accumulated depreciation and impairment losses, which excludes any costs for the purchase of new born calves (as they are a necessary part of the lactation cycle), management believes that any depreciated replacement cost of existing nature and size (could it be so determined) would not be less than the current carrying value of the dairy herd.

**Poultry flock:** At cost less accumulated depreciation and impairment losses. IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Given the relatively short life of the poultry flock (less than a year), such flocks are not subject to fair valuation exercise as the management believes that any differences between depreciated cost and fair value are not material.

## 6.2. Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amount of assets and liabilities are included in the following notes;

- Refer to note 10: Goodwill - Annual impairment testing of goodwill.
- Refer to note 14: Inventories - Allowance for slow moving inventories.
- Refer to note 15: Trade Receivables - Allowance for impairment of trade receivables.
- Refer to note 23: Measurement of employee retirement benefits obligations - key actuarial assumptions.
- Refer to note 30.1: Dairy herd - Average lactation cycle.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 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	Bearer Plant		Total SAR '000
					Mature Plantations SAR '000	Immature Plantations SAR '000	
<b>Cost</b>							
At 1 January 2020 - Restated	14,293,506	15,636,198	2,896,852	1,029,385	214,365	32,636	34,102,942
Additions during the year	-	-	-	795,110	-	32,827	827,937
Transfers during the year	339,057	804,543	209,003	(1,352,603)	41,177	(41,177)	-
Disposals during the year	(99,944)	(459,007)	(221,909)	-	(23,461)	-	(804,321)
Currency Translation Difference	8,733	13,854	596	324	(1)	4	23,510
<b>At 31 December 2020</b>	<b>14,541,352</b>	<b>15,995,588</b>	<b>2,884,542</b>	<b>472,216</b>	<b>232,080</b>	<b>24,290</b>	<b>34,150,068</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 January 2020 - Restated	2,737,758	7,564,920	1,671,334	-	177,532	-	12,151,544
Depreciation for the year	358,852	1,035,671	173,200	-	32,685	-	1,600,408
Disposals during the year	(91,413)	(424,653)	(180,765)	-	(23,461)	-	(720,292)
Currency Translation Difference	282	4,858	364	-	-	-	5,504
<b>At 31 December 2020</b>	<b>3,005,479</b>	<b>8,180,796</b>	<b>1,664,133</b>	<b>-</b>	<b>186,756</b>	<b>-</b>	<b>13,037,164</b>
<b>Net Book Value</b>							
<b>At 31 December 2020</b>	<b>11,535,873</b>	<b>7,814,792</b>	<b>1,220,409</b>	<b>472,216</b>	<b>45,324</b>	<b>24,290</b>	<b>21,112,904</b>

\*Capital work-in-progress as at 31 December 2020 primarily represents cost incurred on updates of existing productions including automation of consolidated warehouses which is expected to be completed during 2021. Also refer to note 35.3.

	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in Progress SAR '000	Bearer Plant		Total SAR '000
					Mature Plantations SAR '000	Immature Plantations SAR '000	
<b>Cost</b>							
At 1 January 2019 - Reported	13,112,184	14,156,377	2,701,397	3,349,095	223,727	26,448	33,569,228
Restatement (Refer note 2.2)	-	-	-	(628,418)	-	-	(628,418)
At 1 January 2019 - Restated	13,112,184	14,156,377	2,701,397	2,720,677	223,727	26,448	32,940,810
On acquisition of subsidiaries	13,668	16,618	224	-	-	-	30,510
Additions during the year (Restated)	-	-	-	1,499,934	-	38,515	1,538,449
Transfers during the year (Restated)	1,211,801	1,720,247	300,121	(3,232,169)	32,327	(32,327)	-
Disposals during the year	(59,209)	(297,305)	(108,778)	-	(41,692)	-	(506,984)
Currency Translation Difference	15,062	40,261	3,888	40,943	3	-	100,157
<b>At 31 December 2019</b>	<b>14,293,506</b>	<b>15,636,198</b>	<b>2,896,852</b>	<b>1,029,385</b>	<b>214,365</b>	<b>32,636</b>	<b>34,102,942</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 January 2019 - Reported	2,383,101	6,859,219	1,525,740	-	194,626	-	10,962,686
Depreciation for the year (Restated)	399,080	963,703	238,602	-	24,597	-	1,625,982
Disposals during the year	(46,683)	(282,332)	(94,995)	-	(41,692)	-	(465,702)
Impairment of Assets (Ref note 30.2)	-	9,224	-	-	-	-	9,224
Currency Translation Difference	2,260	15,106	1,987	-	1	-	19,354
<b>At 31 December 2019</b>	<b>2,737,758</b>	<b>7,564,920</b>	<b>1,671,334</b>	<b>-</b>	<b>177,532</b>	<b>-</b>	<b>12,151,544</b>
<b>Net Book Value</b>							
<b>At 31 December 2019</b>	<b>11,555,748</b>	<b>8,071,278</b>	<b>1,225,518</b>	<b>1,029,385</b>	<b>36,833</b>	<b>32,636</b>	<b>21,951,398</b>

**7.1.** Capital Work-in-Progress includes SAR 4.2 million of borrowing costs capitalized during the year (2019: SAR 24.0 million).

**7.2.** Refer note 22 for information on property, plant and equipment pledged as security by the Group.

## 8. LONG-TERM PREPAYMENTS

Long-term Prepayments and amortization balance are as follows:

	31 December 2020 SAR '000	31 December 2019 SAR '000
Opening Balance	625,490	628,418
Addition	2,208	9,716
Amortization (Restated - Refer note 2.2)	(20,759)	(12,644)
Closing Balance	606,939	625,490

## Notes to the Consolidated Financial Statements continued

### For the year ended 31 December 2020

#### 9. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets - class wise depreciation charge and balances are as follows:

	31 December 2020		31 December 2019	
	Depreciation SAR '000	Balance SAR '000	Depreciation SAR '000	Balance SAR '000
Land	27,706	232,379	28,654	198,229
Buildings	76,963	212,263	69,477	237,361
Vehicles	2,404	10,561	2,070	12,107
Equipment	75	235	126	410
Plant and Machinery	1,357	14,831	1,461	13,268
<b>Total Right-of-Use Assets</b>	<b>108,505</b>	<b>470,269</b>	<b>101,788</b>	<b>461,375</b>

Additions to Right-of-Use assets during the year ended 31 December 2020 are SAR 94.1 million (31 December 2019: SAR 17.5 million).

Lease liabilities as at year end are as follows:

	31 December 2020 SAR '000	31 December 2019 SAR '000
Non-Current portion of Lease Liabilities	330,980	335,659
Current portion of Lease Liabilities	94,509	95,750
<b>Total Lease Liabilities</b>	<b>425,489</b>	<b>431,409</b>

The total interest expense on lease liabilities recognized during the year ended 31 December 2020 is SAR 18.0 million (31 December 2019: SAR 20.0 million).

Expenses relating to short-term and low-value leases are SAR 24.7 million and SAR 5.0 million, respectively (31 December 2019: SAR 4.1 million and SAR 1.9 million, respectively).

#### 10. INTANGIBLE ASSETS AND GOODWILL

	31 December 2020 SAR '000	31 December 2019 SAR '000
Software Licenses (Refer 10.1)	275,313	187,400
Goodwill (Refer 10.2)	942,329	941,133
	<b>1,217,642</b>	<b>1,128,533</b>

## 10.1 Software Licenses

	Software Licenses SAR '000	Software Licenses in Progress* SAR '000	Total SAR '000
<b>Cost</b>			
At 1 January 2020	363,783	35,408	399,191
Additions during the year	-	144,971	144,971
Transfers during the year	55,149	(55,149)	-
Disposals during the year	(1,290)	-	(1,290)
Currency Translation Difference	203	-	203
<b>At 31 December 2020</b>	<b>417,845</b>	<b>125,230</b>	<b>543,075</b>
<b>Accumulated Amortization</b>			
At 1 January 2020	211,791	-	211,791
Amortization for the year	56,681	-	56,681
Disposals during the year	(802)	-	(802)
Currency Translation Difference	92	-	92
<b>At 31 December 2020</b>	<b>267,762</b>	<b>-</b>	<b>267,762</b>
<b>Net Book Value</b>			
<b>At 31 December 2020</b>	<b>150,083</b>	<b>125,230</b>	<b>275,313</b>
<b>Cost</b>			
At 1 January 2019	233,273	32,814	266,087
Additions during the year	-	132,983	132,983
Transfers during the year	130,389	(130,389)	-
Disposals during the year	(635)	-	(635)
Currency Translation Difference	756	-	756
<b>At 31 December 2019</b>	<b>363,783</b>	<b>35,408</b>	<b>399,191</b>
<b>Accumulated Amortization</b>			
At 1 January 2019	162,051	-	162,051
Amortization for the year	49,938	-	49,938
Disposals during the year	(635)	-	(635)
Currency Translation Difference	437	-	437
<b>At 31 December 2019</b>	<b>211,791</b>	<b>-</b>	<b>211,791</b>
<b>Net Book Value</b>			
<b>At 31 December 2019</b>	<b>151,992</b>	<b>35,408</b>	<b>187,400</b>

\*Software licenses in progress include certain software under installation.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 10. INTANGIBLE ASSETS AND GOODWILL continued

#### 10.2 Goodwill

The goodwill relates to the acquisition of Western Bakeries Company Limited (WB) in 2007, Hail Agricultural Development Company (HADCO) in 2009 and International Dairy and Juice Limited (IDJ) in 2012.

	WB SAR '000	HADCO SAR '000	IDJ SAR '000	Total SAR '000
<b>Cost</b>				
At 1 January 2020	548,636	244,832	475,847	1,269,315
Currency Translation Difference	-	-	1,196	1,196
<b>At 31 December 2020</b>	<b>548,636</b>	<b>244,832</b>	<b>477,043</b>	<b>1,270,511</b>
<b>Accumulated Impairment</b>				
At 1 January 2020	-	-	328,182	328,182
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>328,182</b>	<b>328,182</b>
<b>Net Carrying Value</b>				
<b>At 31 December 2020</b>	<b>548,636</b>	<b>244,832</b>	<b>148,861</b>	<b>942,329</b>
<b>Cost</b>				
At 1 January 2019	548,636	244,832	469,049	1,262,517
Currency Translation Difference	-	-	6,798	6,798
<b>At 31 December 2019</b>	<b>548,636</b>	<b>244,832</b>	<b>475,847</b>	<b>1,269,315</b>
<b>Accumulated Impairment</b>				
At 1 January 2019	-	-	328,182	328,182
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>328,182</b>	<b>328,182</b>
<b>Net Carrying Value</b>				
<b>At 31 December 2019</b>	<b>548,636</b>	<b>244,832</b>	<b>147,665</b>	<b>941,133</b>

WB forms part of the Bakery Products reporting segment, HADCO represents Poultry reporting segment while IDJ falls under the Dairy and Juice reporting segment having its cash generating units in Jordan and Egypt by the name of Teeba and Beyti, respectively.

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% and 16% as relevant for each CGU. Terminal value is calculated using earnings multiple / Gordon Growth Model for the final year of the forecast period.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and terminal value used to extrapolate cash flows beyond the budget period of 5 years, as well as the factors used in computing terminal value.

### 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 CGU 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 4.9%. If all other assumptions kept the same, a reduction of this growth rate by 52.9% would give a value in use equal to the current carrying amount.

#### (b) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 17.2. If all other assumptions kept the same, a reduction of this multiple to 5.7 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 CGU 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 3.2%. Keeping all other assumptions the same, a reduction in growth rate to -0.5% would give a value in use equal to the current carrying amount.

#### (b) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 16.0. If all other assumptions kept the same, a reduction of this multiple to 5.2 would give a value in use equal to the current carrying amount.

### Sensitivity to Changes in Assumptions – IDJ

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU 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 6.7%. If all other assumptions kept the same, a reduction of this growth rate by 15.2% would give a value in use equal to the current carrying amount.

#### (b) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 16.7. If all other assumptions kept the same, a reduction of this multiple to 6.5 would give a value in use equal to the current carrying amount.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 11. 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 (refer note 6.1).
- **Crops:** The crops that have reached a considerable degree of biological development have been stated at the present value of the net cash flows that will be provided by such crops in progress, estimated on the basis of the degree of biological development and the risks related to the completion of the development process of crops sown.

	Dairy Herd SAR '000	Parent Poultry Birds SAR '000	Other Poultry SAR '000	Crops SAR '000	Total SAR '000
<b>Cost</b>					
At 1 January 2020	1,823,919	169,474	66,487	-	2,059,880
Additions during the year*	644,479	119,926	1,313,762	-	2,078,167
Transfers to inventories	-	-	(1,312,378)	-	(1,312,378)
Disposals during the year	(583,492)	(130,119)	-	-	(713,611)
Currency Translation Difference	8	-	-	-	8
<b>At 31 December 2020</b>	<b>1,884,914</b>	<b>159,281</b>	<b>67,871</b>	<b>-</b>	<b>2,112,066</b>
<b>Accumulated Depreciation</b>					
At 1 January 2020	532,040	80,085	-	-	612,125
Depreciation for the year	245,638	103,540	-	-	349,178
Disposals during the year	(221,948)	(87,241)	-	-	(309,189)
Currency Translation Difference	2	-	-	-	2
<b>At 31 December 2020</b>	<b>555,732</b>	<b>96,384</b>	<b>-</b>	<b>-</b>	<b>652,116</b>
<b>Net Book Value</b>					
<b>At 31 December 2020</b>	<b>1,329,182</b>	<b>62,897</b>	<b>67,871</b>	<b>-</b>	<b>1,459,950</b>
<b>Measured at Fair Value</b>					
At 1 January 2020	-	-	-	29,975	29,975
Additions during the year	-	-	-	336,274	336,274
Transfers to inventories	-	-	-	(336,993)	(336,993)
Loss arising from changes in Fair Value less Cost to Sell	-	-	-	(6,936)	(6,936)
Currency Translation Difference	-	-	-	4	4
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,324</b>	<b>22,324</b>
<b>Carrying Amount</b>					
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,324</b>	<b>22,324</b>
<b>Biological Assets Classification:</b>					
<b>At 31 December 2020</b>					
Biological assets classified as Non-Current Assets	1,329,182	62,897	-	-	1,392,079
Biological assets classified as Current Assets	-	-	67,871	22,324	90,195
	<b>1,329,182</b>	<b>62,897</b>	<b>67,871</b>	<b>22,324</b>	<b>1,482,274</b>

\*Additions include Biological Assets appreciation amounting to SAR 644.4 million.

	Dairy Herd SAR '000	Parent Poultry Birds SAR '000	Other Poultry SAR '000	Crops SAR '000	Total SAR '000
<b>Cost</b>					
At 1 January 2019	1,821,796	131,328	65,273	-	2,018,397
Additions during the year*	630,121	125,359	1,290,551	-	2,046,031
Transfers to inventories	-	-	(1,289,337)	-	(1,289,337)
Disposals during the year	(628,025)	(87,213)	-	-	(715,238)
Currency Translation Difference	27	-	-	-	27
<b>At 31 December 2019</b>	<b>1,823,919</b>	<b>169,474</b>	<b>66,487</b>	<b>-</b>	<b>2,059,880</b>
<b>Accumulated Depreciation</b>					
At 1 January 2019	531,928	54,630	-	-	586,558
Depreciation for the year	272,930	111,193	-	-	384,123
Disposals during the year	(272,825)	(85,738)	-	-	(358,563)
Currency Translation Difference	7	-	-	-	7
<b>At 31 December 2019</b>	<b>532,040</b>	<b>80,085</b>	<b>-</b>	<b>-</b>	<b>612,125</b>
<b>Net Book Value</b>					
<b>At 31 December 2019</b>	<b>1,291,879</b>	<b>89,389</b>	<b>66,487</b>	<b>-</b>	<b>1,447,755</b>
<b>Measured at Fair Value</b>					
At 1 January 2019	-	-	-	33,166	33,166
Additions during the year	-	-	-	55,066	55,066
Transfers to inventories	-	-	-	(62,298)	(62,298)
Gain arising from changes in Fair Value less Cost to Sell	-	-	-	4,030	4,030
Currency Translation Difference	-	-	-	11	11
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,975</b>	<b>29,975</b>
<b>Carrying Amount</b>					
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,975</b>	<b>29,975</b>
<b>Biological Assets Classification:</b>					
<b>At 31 December 2019</b>					
Biological assets classified as Non-Current Assets	1,291,879	89,389	-	-	1,381,268
Biological assets classified as Current Assets	-	-	66,487	29,975	96,462
	<b>1,291,879</b>	<b>89,389</b>	<b>66,487</b>	<b>29,975</b>	<b>1,477,730</b>

\*Additions include Biological Assets appreciation amounting to SAR 629.8 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.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 11. BIOLOGICAL ASSETS continued

#### Agricultural Risk Management:

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

#### a) Failure to secure long-term production of fodder

Fodder production has been strategically shifted overseas/outside KSA as per domestic law and regulations. Almarai has developed an extensive supply chain network in Romania, North and South America, covering both own and sourced fodder production, to ensure continuous supply of fodder for its dairy herd. KSA farms also carry a large inventory of forage to ensure no disruption of supply.

#### b) Large scale loss of biological assets due to disease/pandemic

Strong bio-security procedures, livestock located on multiple sites to reduce risk, disease control and vaccination programme in place along with screening and quarantine of incoming animals. Professional vet group within the farming division ensure large scale losses do not occur.

#### c) Severe operational disruption (Fire, Flood etc.)

Almarai is prepared to respond to operational disruptions to minimize losses and remain viable. An effective Business Continuity Plan is continually reviewed and adapted for the changing nature of operational disruptions. Risk assessments are continually performed to identify possible events that could cause significant disruptions. Risk of business disruption from flood has been removed through farm design. Farm buildings are constructed in areas that do not have flash floods and also elevated above ground level.

### 12. INVESTMENTS

The investments comprise the following:

	Nature	Principal activity	Place of Incorporation	31 December 2020 %	31 December 2019 %	31 December 2020 SAR '000	31 December 2019 SAR '000
<b>Investments in Associate and Joint Venture</b>							
Almarai Company W.L.L.	Joint Venture	Dormant	Qatar	50.0%	50.0%	204	204
Maria Fondomonte S.A. (Refer note 12.1)	Associate	Source, Process and Sale of Forage Supplies	Romania	49.0%	-	89,419	87,825
						89,623	88,029
<b>Equity Investment (Refer note 12.2 and 12.3)</b>							
Mobile Telecommunications Company Saudi Arabia - ("Zain")				1.1%	2.1%	129,734	145,684

**12.1.** On 23 Safar 1441 A.H. (22 October 2019) the Group, through its subsidiary Almarai Investment Holding Company W.L.L., obtained 49% equity interest in Maria Fondomonte S.A. for a cash consideration of SAR 87.8 million (EUR 21.0 million). Maria Fondomonte S.A.'s main operations are to source, process and sale of forage supplies to the Group and its acquisition will add to the Group's on-going efforts to further streamline, integrate and strengthen its feed supply. Movement in the investment is as follows:

	2020 SAR '000	2019 SAR '000
<b>Maria Fondomonte S.A.</b>		
Opening balance	87,825	-
Acquisition during the year (Refer note 12.1)		87,825
Share of Results for the year	1,405	-
Currency Translation Difference	189	-
Closing balance	89,419	87,825

**12.2.** On 21 Safar 1442 A.H. (8 October 2020), the Shareholders of Zain approved the reduction in share capital from SAR 5.8 billion to SAR 4.5 billion and accordingly to decrease the number of shares from 583.7 million to 448.7 million to offset its accumulated losses. Following the capital reduction, Zain increased its capital from SAR 4.5 billion to SAR 9.0 billion through a rights issue with a total value of SAR 4.5 billion. Almarai Company did not exercise the rights and sold it resulting in the gain of SAR 15.3 million recognized in Consolidated Statement of Profit or Loss (Refer note 30).

**12.3.** The equity investment of 9.5 million (31 December 2019: 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 an unrealized loss of SAR 16.0 million for the year ended 31 December 2020 which is presented within the Consolidated Statement of Comprehensive Income (31 December 2019: unrealized gain of SAR 43.1 million).

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

## 13. BUSINESS COMBINATION

### Premier Foods Industries Company L.L.C

During the last year, the Group acquired Premier Foods on 22 Ramadan 1440 A.H (27 May 2019), as the Group effectively obtained control of Premier Foods from that date. The acquired business contributed revenues of SAR 65.7 million and net loss of SAR 10.6 million to the Group from the period 27 May 2019 to 31 December 2019. If the acquisition had taken place at the beginning of the year, the consolidated revenue and loss for the year ended 31 December 2019 would have been impacted by SAR 117.6 million and SAR 14.4 million, respectively.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 13. BUSINESS COMBINATION continued

The assets and liabilities recognized as a result of the acquisition were as follows:

	Fair Value on Acquisition SAR'000
<b>Assets Acquired:</b>	
<b>Non-Current Assets</b>	
Property, Plant and Equipment	30,510
Right-of-Use Assets	26,196
	<b>56,706</b>
<b>Current Assets</b>	
Cash and Cash Equivalents	1,568
Trade Receivables, Prepayments and Other Receivables	77,096
Inventories	26,091
	<b>104,755</b>
<b>Total Assets</b>	<b>161,461</b>
<b>Liabilities Assumed:</b>	
<b>Non-Current Liabilities</b>	
Lease Liability	21,880
Employee Retirement Benefits	5,684
	<b>27,564</b>
<b>Current Liabilities</b>	
Lease Liability	3,837
Trade and Other Payables	11,443
	<b>15,280</b>
<b>Total Liabilities</b>	<b>42,844</b>
Total Identifiable Net Assets	<b>118,617</b>
Total Acquisition Cost	<b>118,617</b>
<b>Cash Outflow on Acquisition:</b>	
Net Cash Acquired with the Subsidiary	1,568
Cash Paid	(99,161)
Net Cash Outflow	<b>(97,593)</b>

Out of total purchase consideration of SAR 118.6 million, SAR 99.1 million was paid in cash with remainder settled against the amounts payable to Premier Foods prior to the acquisition.

## 14. INVENTORIES

	31 December 2020 SAR '000	31 December 2019 SAR '000
Raw Materials	3,830,933	3,439,823
Finished Goods	542,838	454,660
Spares	588,549	544,761
Work in Progress	167,788	150,835
Total Inventories	5,130,108	4,590,079
Allowance for Slow Moving Inventories (Refer note 14.1)	(424,744)	(392,074)
<b>Total</b>	<b>4,705,364</b>	<b>4,198,005</b>

### 14.1. Movement in the allowance for slow moving inventories:

	31 December 2020 SAR '000	31 December 2019 SAR '000
Opening balance	392,074	408,693
Allowance made/(reversed) during the year	61,570	(13,803)
Written off during the year	(28,900)	(2,816)
Closing balance	424,744	392,074

14.2. 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.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 15. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2020 SAR '000	31 December 2019 SAR '000
Trade Receivables - Third Parties	1,204,743	1,066,329
- Related Parties (Refer Note 36)	186,860	154,300
	<b>1,391,603</b>	1,220,629
Less: Allowance for impairment of trade receivables (Refer note 38.2)	(115,387)	(91,510)
Net Trade Receivables	<b>1,276,216</b>	1,129,119
Prepayments	393,393	413,946
Government Grants	159,486	195,424
Other Receivables	107,246	130,406
	<b>1,936,341</b>	1,868,895
<b>Ageing of Trade Receivables</b>		
Up to 2 months	1,185,506	1,032,123
2 - 3 months	83,242	89,218
More than 3 months	122,855	99,288
	<b>1,391,603</b>	1,220,629

**15.1.** Movement in allowance for impairment of trade receivables is as follows:

	31 December 2020 SAR '000	31 December 2019 SAR '000
At the beginning of the year	91,510	57,333
Allowance made during the year (Refer Note 15.3)	23,877	34,177
At the end of the year	<b>115,387</b>	91,510

**15.2.** Trade receivables disclosed above are classified as financial assets at amortized cost.

**15.3.** It includes SAR 1.1 million trade receivables written off during the year (2019: SAR 2.1 million). Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments

## 16. TIME DEPOSIT

	31 December 2020 SAR '000	31 December 2019 SAR '000
Time Deposit	-	590,038
	-	590,038

**16.1.** The average rate on time deposit (Murabaha) for the year 2019 was 2.5% with a maturity of less than one year

## 17. CASH AND BANK BALANCES

	31 December 2020 SAR '000	31 December 2019 SAR '000
Cash at Bank - Current accounts	469,428	494,241
Cash at Bank - Deposits (Refer note 17.1)	5,808	23,271
Cash in Hand	28,274	40,041
	503,510	557,553

**17.1.** The average rate on bank deposits during 2020 is 0.45% (2019: 1.7 %) per annum with an average maturity of two months.

## 18. SHARE CAPITAL

The Company's share capital at 31 December 2020 amounted to SAR 10,000 million (2019: SAR 10,000 million), consisting of 1,000 million (2019: 1,000 million) fully paid and issued shares of SAR 10 each.

## 19. EMPLOYEE STOCK OPTION PROGRAMME

The Company has offered certain employees (the "Eligible Employees") the option (the "Option") for equity ownership (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 (such as earnings per share) set by the Company along with the required period of stay in service by the Eligible Employees. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange (Tadawul).

Treasury shares that have not been granted to Eligible Employees in the reporting period for which those were earmarked 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 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 2016 was granted in Jumada Al-Thani 1437 A.H. (April 2016). The number of shares shall not exceed 2,933,333 shares.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 19. EMPLOYEE STOCK OPTION PROGRAMME continued

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

The ESOP 2018 was granted in Muharram 1440 A.H. (September 2018). The number of shares shall not exceed 4,000,000 shares.

The ESOP 2019 was granted in Dhul-Hijjah 1440 A.H. (August 2019). The number of shares shall not exceed 4,500,000 shares.

The ESOP 2020 was granted in Rajab 1441 A.H. (March 2020). The number of shares shall not exceed 4,100,000 shares.

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

	31 December 2020 SAR '000	31 December 2019 SAR '000
At the beginning of the year	10,838,058	9,993,968
Granted during the year	4,033,000	4,300,000
Settled during the year	(2,125,989)	(2,160,988)
Forfeited during the year	(1,482,000)	(1,294,922)
At the end of the year	11,263,069	10,838,058

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 2016	ESOP 2017	ESOP 2018	ESOP 2019	ESOP 2020
Input to the Model:					
Dividend Yield (%)	2.2%	1.8%	1.4%	1.5%	1.7%
Expected Volatility (%)	33.2%	15.0%	19.1%	22.9%	23.1%
Risk Free Interest Rate (%)	5.0%	5.0%	3.0%	3.0%	2.1%
Contractual Life of Share Options (Years)	2.8	3.0	2.4	2.5	2.9
Share Price (SAR) at Grant Date	52.5	55.6	49.2	51.9	37.0
Exercise Price (SAR) at Grant Date	45.0	46.0	55.0	55.0	50.0
Fair Value per Option	15.7	13.9	4.1	6.7	2.1
Exercise Price (SAR) after bonus split	36.0	46.0	55.0	55.0	50.0
Remaining Contractual Life (Years)	-	-	0.4	1.6	2.1
Weighted Average Share Price during the year	44.4	58.8	53.2	52.6	51.3

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 of treasury shares acquired / settled during the year:

	31 December 2020 SAR '000	31 December 2019 SAR '000
At the beginning of the year	770,740	593,567
Acquired during the year	250,461	314,930
Disposed of on exercise of options	(114,607)	(137,757)
At the end of the year	906,594	770,740

## 20. OTHER RESERVES

	31 December 2020 SAR '000	31 December 2019 SAR '000
Hedging Reserve	(46,160)	(3,754)
Currency Translation Reserve	565,245	565,658
Others	(75,214)	(111,317)
Net Debit Balance	443,871	450,587

## 21. NON-CONTROLLING INTERESTS

Summarized aggregate financial information of the Group's subsidiaries that has material non-controlling interests (Refer note1) is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	31 December 2020 SAR '000	31 December 2019 SAR '000
Non-current assets	1,782,382	2,110,043
Current assets	671,106	745,113
Non-current liabilities	580,692	524,129
Current liabilities	630,433	700,358
Equity attributable to owners of the Company	1,242,363	1,647,085
Non-Controlling Interests	546,771	605,771
Revenue	2,545,783	2,462,539
Expenses	(2,627,113)	(2,467,397)
Loss for the year	(81,330)	(4,858)
Net (Loss)/Profit attributable to:		
Owners of the Company	(32,525)	6,042
Non-Controlling Interests	(48,805)	(10,181)
Total Comprehensive (Loss)/Income attributable to:		
Owners of the Company	(21,174)	94,792
Non-Controlling Interests	(42,371)	27,230
Total Comprehensive (Loss)/Income for the year	(63,545)	122,022

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 22. LOANS AND BORROWINGS

	Notes	31 December 2020 SAR '000	31 December 2019 SAR '000
Islamic Banking Facilities (Murabaha)	22.1	4,416,610	5,119,508
Saudi Industrial Development Fund	22.2	2,421,231	2,665,478
Banking Facilities of Non-GCC Subsidiaries	22.3	358,541	363,296
Supranational	22.4	272,714	276,099
Agricultural Development Fund	22.5	142,828	159,173
		7,611,924	8,583,554
Sukuk	22.6	1,608,575	2,408,180
International Sukuk	22.6	1,894,469	1,891,986
		11,114,968	12,883,720
Short Term Loans		55,436	51,419
Current Portion of Long Term Loans		970,577	1,934,974
<b>Loans - Current Liabilities</b>		<b>1,026,013</b>	<b>1,986,393</b>
<b>Loans - Non-Current Liabilities</b>		<b>10,088,955</b>	<b>10,897,327</b>
		<b>11,114,968</b>	<b>12,883,720</b>

**22.1.** 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. During the year ended 31 December 2020, the Group did not enter into new Islamic Banking facilities (2019: SAR 1,850 million). As at 31 December 2020, SAR 5,435.0 million Islamic banking facilities (Murabaha) were unutilized and available for drawdown with maturities predominantly greater than five years (2019: SAR 7,445.1 million).

**22.2.** The borrowings of the Group from the Saudi Industrial Development Fund ("SIDF") are secured by a mortgage on land and other fixed assets equivalent to the outstanding borrowings. As at 31 December 2020, the Group had no unutilized SIDF facilities available for drawdown (2019: SAR 66.8 million). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

**22.3.** These banking facilities of non-GCC subsidiaries represent foreign currency denominated borrowings, including USD, EGP, JOD and ARS from foreign banking and developing institutions, secured by guarantees provided by the shareholders of the Parent Company in proportion to their respective shareholdings. As at 31 December 2020, SAR equivalent 451.9 million (2019: SAR 461.7 million) facilities were unutilized and available for drawdown.

**22.4.** The borrowings granted by Supranational ("IFC" - Member of World Bank Group and "EBRD" - European Bank for Reconstruction and Development) are in USD, secured by promissory notes given by the Group. As at 31 December 2020, the Group had SAR 656.7 million of unutilized facility available for drawdown (2019: SAR 656.7 million).

**22.5.** The borrowing from Agricultural Development Fund (“ADF”) is secured by a mortgage on land and other fixed assets equivalent to the outstanding borrowings. As at 31 December 2020, the Group had no unutilized ADF facilities available (2019: Nil). Assets mortgaged are subject to the restriction of disposal until the loan is settled or the disposal is approved by ADF.

**22.6.** 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 was 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 was redeemed at par on its date of maturity i.e. 7 Shabaan 1441 A.H. (31 March 2020).

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.

On 28 Jumada Al-Akhirah 1440 A.H. (5 March 2019), the Group issued its first International Sukuk – Series I amounting to USD 500.0 million out of USD 2000.0 million Euro Medium Term Note Programme at a par value of USD 0.2 million each. The International Sukuk Issuance bears a return of 4.3% per annum payable semi-annually in arrears. The International Sukuk will be redeemed at par on its date of maturity i.e. 24 Shaban 1445 A.H. (5 March 2024).

**22.7.** 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. During 2020, there has not been any non-compliance observed for any of the covenants.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 23. EMPLOYEE RETIREMENT BENEFITS

	31 December 2020 SAR '000	31 December 2019 SAR '000
Opening Balance	826,399	699,325
On acquisition of subsidiary	-	5,684
<b>Consolidated Statement of Profit or Loss</b>		
Current Service Cost	95,224	91,371
Interest Cost	23,861	26,528
<b>Consolidated Statement of Comprehensive Income</b>		
Actuarial Loss	25,459	65,770
<b>Cash Movements:</b>		
Benefits paid	(61,590)	(62,279)
Closing Balance	909,353	826,399

		31 December 2020 SAR '000	31 December 2019 SAR '000
<b>Sensitivity in Defined Benefit Obligation</b>			
Salary Inflation	1% Decrease	876,679	798,124
	Base	909,353	826,399
	1% Increase	946,646	860,338
Discount Rate	1% Decrease	978,865	888,119
	Base	909,353	826,399
	1% Increase	849,585	774,670

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits to significant actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognized in the Consolidated Statement of Financial Position.

#### Demographic Assumptions

	31 December 2020 SAR '000	31 December 2019 SAR '000
<b>Membership Data (GCC employees)</b>		
Number of Employees	36,869	37,447
Weighted average age of employees (years)	34	35
Weighted average years of past service	6	6

Weighted average duration of the defined benefit obligation is 7.1 years.

Country	Gross Discount Rate		Salary Growth Rate	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Saudi Arabia	1.7%	2.9%	1.7%	2.9%
United Arab Emirates	1.5%	2.7%	1.5%	2.7%
Oman	4.9%	4.7%	4.9%	4.7%
Kuwait	1.4%	2.4%	1.4%	2.4%
Bahrain	3.6%	4.1%	3.6%	4.1%

### Risk Exposure:

The Group is exposed to a number of risks, the most significant of which are detailed below:

#### Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.

#### Changes in bond yields

Decrease in corporate bond yields will increase plan liabilities.

Maturity Analysis	Less than a year SAR '000	Between 1-2 years SAR '000	Between 2-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
<b>31 December 2020</b>					
Defined benefit obligation	115,887	132,228	323,009	475,143	1,046,267
<b>31 December 2019</b>					
Defined benefit obligation	106,756	142,326	305,681	462,597	1,017,360

## 24. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognized by the Group:

### 24.1. Deferred Tax Assets

	31 December 2020 SAR '000	31 December 2019 SAR '000
Opening Balance	40,836	11,488
(Decrease) / Increase during the year	(5,815)	27,614
Currency Translation Difference	496	1,734
Closing Balance	35,517	40,836

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 realized.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 24. DEFERRED TAX continued

#### 24.2. Deferred Tax Liabilities

	31 December 2020 SAR '000	31 December 2019 SAR '000
Opening Balance	103,328	37,967
(Decrease) / Increase during the year	(1,514)	50,232
Currency Translation Difference	325	15,129
Closing Balance	102,139	103,328

Deferred tax liability of SAR 102.1 million relates to taxable temporary differences arising majorly 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.

### 25. ZAKAT AND INCOME TAX

	31 December 2020 SAR '000	31 December 2019 SAR '000
Zakat Provision (Refer note 25.1)	371,993	363,488
Income Tax Provision (Refer note 25.2)	26,311	31,578
	398,304	395,066

#### 25.1. 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. In the current year, the Zakat charge is based on the net adjusted income method for Almarai Company including HADCO while Zakat charge for MFI is calculated based on Zakat base.

	31 December 2020 SAR '000	31 December 2019 SAR '000
Opening Balance	363,488	302,911
Charge for the year	72,042	71,426
Payments	(63,537)	(10,849)
Closing Balance	371,993	363,488

The Company filed its Consolidated Zakat returns for all the years up to 2019 and settled its Zakat liabilities accordingly. The Zakat assessments for all the years up to 2014 for Almarai Company and Zakat and Tax assessment for all the years up to 2013 for MFI have been closed with the GAZT respectively. Management believes that Zakat and Tax provision held against open years would be sufficient to settle assessment claims for those years.

HADCO filed its Zakat returns for all years up to 2008 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all years up to 2007 while the 2008 Zakat return is 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.

## 25.2. Income Tax Provision

	31 December 2020 SAR '000	31 December 2019 SAR '000
Opening Balance	31,578	13,153
Charge for the year	15,959	26,853
Payments	(21,226)	(8,428)
Closing Balance	26,311	31,578

Foreign subsidiaries filed their tax returns for all years up to 2019 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 2010, and the latest year assessed is 2018.

## 26. TRADE AND OTHER PAYABLES

Management considers that the carrying amount of trade payables approximates to their fair value.

	31 December 2020 SAR '000	31 December 2019 SAR '000
Trade Payable - Third Parties	1,190,935	1,325,733
- Related Parties (Refer note 36)	6,420	77,809
Accrued Expenses (Refer note 26.1)	1,389,787	1,142,964
Other Payables	427,692	472,654
	<b>3,014,834</b>	3,019,160

**26.1.** Accrued expenses include accrual against volume discounts amounting to SAR 171.7 million (2019: SAR 203.7 million), accrued leave obligations amounting to SAR 133.8 million (2019: SAR 123.2 million) and accrual against expected sales returns amounting to SAR 46.1 million (2019: SAR 50.0 million). Other payables include unrecognized portion of Government grants related to inventories held at the reporting date.

## Notes to the Consolidated Financial Statements continued

### For the year ended 31 December 2020

#### 27. COST OF SALES

	31 December 2020 SAR '000	31 December 2019 SAR '000
Material Consumed	5,961,349	5,227,346
Government Grants	(428,722)	(427,815)
Employee Costs	1,727,900	1,651,694
Depreciation of Property, Plant and Equipment	1,350,058	1,356,103
Repairs and Maintenance	560,420	506,700
Depreciation of Biological Assets	349,178	384,123
Telephone and Electricity	324,956	325,948
Vaccines and Drugs	141,277	140,382
Depreciation of Right-of-Use Assets	33,002	33,505
Amortization of Software Licenses	27,981	16,195
Amortization of Long-term Prepayments (Refer note 2.2 and 8)	20,759	12,644
Other Expenses	397,719	387,563
Less:		
Appreciation of Biological Assets (Refer note 11)	(644,437)	(629,785)
	<b>9,821,440</b>	<b>8,984,603</b>

#### 28. SELLING AND DISTRIBUTION EXPENSES

	31 December 2020 SAR '000	31 December 2019 SAR '000
Employee Costs	1,545,099	1,448,184
Marketing Expenses	332,613	326,996
Depreciation of Property, Plant and Equipment	230,531	252,683
Repairs and Maintenance	155,419	152,440
Depreciation of Right-of-Use Assets	64,772	55,263
Telephone and Electricity	23,152	24,137
Amortization of Software Licenses	5,252	8,495
Other Expenses	133,641	108,130
	<b>2,490,479</b>	<b>2,376,328</b>

## 29. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2020 SAR '000	31 December 2019 SAR '000
Employee Costs	244,632	241,753
Insurance	77,175	64,456
Repairs and Maintenance	23,808	31,829
Amortization of Software Licenses	23,448	25,248
Depreciation of Property, Plant and Equipment	19,819	17,196
Depreciation of Right-of-Use Assets	10,731	13,020
Telephone and Electricity	3,080	4,012
Other Expenses	17,097	2,759
	<b>419,790</b>	<b>400,273</b>

## 30. OTHER EXPENSES, NET

	31 December 2020 SAR '000	31 December 2019 SAR '000
Loss on Disposal of Biological Assets (Refer note 30.1)	170,077	127,886
Gain on Disposal of Property, Plant and Equipment	(26,607)	(4,655)
Exchange Gain	(24,258)	(34,161)
Net Gain on Disposal of Right-of-Use Assets	(18,792)	(9,322)
Gain on Sale of Rights Issue of Equity Investment (Refer note 12.2)	(15,279)	-
Net Gain on settlement of Insurance Claim	(5,570)	-
Dividend on Equity Investment	(180)	(300)
Impairment of Assets (Refer note 30.2)	-	9,224
Other Income	(963)	-
	<b>78,428</b>	<b>88,672</b>

**30.1.** Each cow within the dairy herd is depreciated over the average useful life of approximately 4 lactations (Refer note 5.12). In order to maintain the size and health of the dairy herd, a significant proportion of the herd is culled or sold each year based on an assessment by management of the productivity, breeding and efficiency of each herd member and only those meeting predefined levels are retained. It is not possible to predict in advance which herd members will be culled early or late and accordingly the average useful life of approximately 4 lactations is applied across the whole of the dairy herd. Underperforming herd members are often sold in a secondary market where the value received for each herd member is generally not linked to the age of the herd member. Herd members culled or sold before 4 lactations will typically have a depreciated cost higher than the expected residual value and thus a loss on disposal will generally arise. Management believe that such loss on disposal broadly offsets the absence of depreciation on those herd members that survive beyond the average 4 lactation period and accordingly neither the profit for the year nor the net carrying cost of the dairy herd as reported in the Consolidated Statement of Financial Position is materially distorted.

**30.2.** During the year 2019, Beyti identified idle assets with net book value of SAR 9.2 million which were considered impaired.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 31. FINANCE COST, NET

	31 December 2020 SAR '000	31 December 2019 SAR '000
Interest and Finance Charges	464,408	586,492
Interest on Lease Liabilities	18,002	20,045
Interest Income on other Deposits	(8,677)	(21,443)
Exchange Loss / (Gain)	18,507	(3,055)
Interest Capitalization	(4,246)	(23,998)
Net Loss / (Gain) on Settlement of Interest Rate Swap Instrument	7,887	(7,302)
	<b>495,881</b>	<b>550,739</b>

### 32. EARNINGS PER SHARE

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

	2020 SAR '000	2019 SAR '000
Profit for the year attributable to the shareholders of the Company '000'	1,984,361	1,811,753
<b>Number of shares '000'</b>		
Weighted average number of ordinary shares for the purposes of basic earnings	980,708	987,625
Weighted average number of ordinary shares repurchased	19,292	12,375
Weighted average number of ordinary shares for the purposes of diluted earning	1,000,000	1,000,000
<b>Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company</b>		
- Basic	2.02	1.83
- Diluted	1.98	1.81

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.

### 33. SEGMENT REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Joosy Life Beyti and Teeba brands, bakery products under L'usine and 7 Days brands and poultry products under Alyoum and AlBashayer brands. Other activities include Arable, Horticulture, Infant Nutrition and Food Services. Selected financial information as at 31 December 2020 and 31 December 2019, and for the years then ended, categorized 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	Horticulture and Infant Nutrition

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
<b>31 December 2020</b>					
Revenue	10,981,775	1,711,952	2,292,779	993,169	15,979,675
Third Party Revenue	10,923,680	1,711,952	2,292,779	428,537	15,356,948
Depreciation and Amortization	(1,386,609)	(208,738)	(374,869)	(165,315)	(2,135,531)
Share of Results of Associate and Joint Venture	-	-	-	1,405	1,405
Profit / (loss) attributable to Shareholders of the Company	1,473,466	226,252	342,858	(58,215)	1,984,361
Profit / (loss)	1,412,726	237,012	344,033	(58,215)	1,935,556
<b>Total Assets</b>	<b>21,716,476</b>	<b>2,139,323</b>	<b>5,473,469</b>	<b>3,015,038</b>	<b>32,344,306</b>
<b>Total Liabilities</b>	<b>14,207,258</b>	<b>430,518</b>	<b>802,328</b>	<b>670,523</b>	<b>16,110,627</b>

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
<b>31 December 2019</b>					
Revenue	10,277,052	1,749,297	2,124,593	1,013,210	15,164,152
Third Party Revenue	10,209,987	1,749,297	2,124,593	267,400	14,351,277
Depreciation and Amortization	(1,378,182)	(250,959)	(399,064)	(146,270)	(2,174,475)
Profit / (loss) attributable to Shareholders of the Company	1,427,270	235,698	263,690	(114,905)	1,811,753
Profit / (loss)	1,401,976	250,840	263,295	(114,539)	1,801,572
Impairment recognized during the year	(9,224)	-	-	-	(9,224)
<b>Total Assets</b>	<b>22,327,971</b>	<b>2,229,028</b>	<b>5,239,310</b>	<b>3,351,733</b>	<b>33,148,042</b>
<b>Total Liabilities</b>	<b>15,668,242</b>	<b>457,357</b>	<b>1,000,988</b>	<b>762,335</b>	<b>17,888,922</b>

## Notes to the Consolidated Financial Statements continued

### For the year ended 31 December 2020

#### 33. SEGMENT REPORTING continued

The Group's revenue is derived from contracts with customers for sale of consumer products. Control of products is transferred at a point in time and directly sold to customers.

Finance cost and tax expenses are not analyzed at segment level, as it is driven by the central treasury and tax functions respectively, which manages these expenses at the Group level.

Segment assets are measured in the same way as in the Consolidated Financial Statements. These assets are allocated and analyzed based on the operations of the segment. The Group's management does not analyze total assets based on its geographical location and therefore country-wide total assets are not disclosed in these Consolidated Financial Statements.

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
<b>31 December 2020</b>					
Saudi Arabia	6,782,443	1,399,108	1,955,644	148,666	10,285,861
Other GCC Countries	2,626,690	300,260	249,572	21,688	3,198,210
Other Countries	1,514,547	12,584	87,563	258,183	1,872,877
<b>Total</b>	<b>10,923,680</b>	<b>1,711,952</b>	<b>2,292,779</b>	<b>428,537</b>	<b>15,356,948</b>

	Dairy and Juice SAR '000	Bakery SAR '000	Poultry SAR '000	Other Activities SAR '000	Total SAR '000
<b>31 December 2019</b>					
Saudi Arabia	6,265,550	1,435,593	1,875,567	160,554	9,737,264
Other GCC Countries	2,661,002	304,092	199,331	(91)	3,164,334
Other Countries	1,283,435	9,612	49,695	106,937	1,449,679
<b>Total</b>	<b>10,209,987</b>	<b>1,749,297</b>	<b>2,124,593</b>	<b>267,400</b>	<b>14,351,277</b>

## 34. CASH FLOW INFORMATION

### 34.1. Cash and Cash Equivalents

	31 December 2020 SAR '000	31 December 2019 SAR '000
Cash at Bank - Current accounts	469,428	494,241
Cash at Bank - Deposits	5,808	23,271
Cash in Hand	28,274	40,041
Cash and Bank Balances	503,510	557,553
Bank Overdrafts (Refer note 34.2)	(137,512)	(219,118)
<b>Total</b>	<b>365,998</b>	<b>338,435</b>

**34.2.** It represents the overdraft facility arrangement in IDJ (Egypt and Jordan) amounting to SAR 253.0 million, secured by corporate guarantee given by the Shareholders. The average rate on overdraft facility during 2020 was 9.8% and 6.5% per annum for Egypt and Jordan respectively (2019: 13.5% and 6.5%).

### 34.3. Non-cash Investing and Finance Activities

- Transfer to Property, Plant and Equipment from Capital Work-in-Progress (Refer note 7).
- Borrowing Cost Capitalized as part of Capital Work-in-Progress (Refer note 7).
- Acquisition of Right-of-Use-Assets (Refer note 9).
- Transfer to Intangible Assets from Capital Work-in-Progress (Refer note 10).
- Transfer from Immature Plantation to Mature Plantation (Refer note 7).

## Notes to the Consolidated Financial Statements continued

### For the year ended 31 December 2020

#### 35. COMMITMENT AND CONTINGENCIES

**35.1.** The contingent liabilities against letters of credit are SAR 171.1 million at 31 December 2020 (2019: SAR 199.7 million).

**35.2.** The contingent liabilities against letters of guarantee are SAR 1.03 billion at 31 December 2020 (2019: SAR 990.8 million). Contingent liabilities against letters of guarantee expire as follows.

	31 December 2020 SAR '000	31 December 2019 SAR '000
Within one year	887,846	398,723
Two to five years	26,895	424,618
After five years	118,298	167,446
Total	1,033,039	990,787

**35.3.** The Group had capital commitments amounting to SAR 716.9 million at 31 December 2020 in respect of ongoing projects (2019: SAR 699.4 million). The majority of the capital commitments are for updating the existing production facilities, sales depot development, distribution fleet, fridges and IT equipment.

**35.4.** Refer to note 25.1 for Zakat related matters.

### 36. RELATED PARTY TRANSACTIONS

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2020 along with their balances:

Nature of Transaction	Transaction Amount		Balance at	
	31 December 2020 SAR '000	31 December 2019 SAR '000	31 December 2020 SAR '000	31 December 2019 SAR '000
<b>Sales To</b>				
Panda Retail Company	730,416	740,279	185,685	153,423
Afia International Company	7,947	9,239	-	-
Herfy Food Services	3,799	5,991	1,175	877
<b>Total</b>	<b>742,162</b>	<b>755,509</b>	<b>186,860</b>	<b>154,300</b>
<b>Purchases From</b>				
United Sugar Company	38,373	63,489	(3,296)	(4,112)
Al Nafoura Catering	38	504	(16)	(66)
Arab Company for Agricultural Services (ARASCO)	-	11,118	-	(2,507)
Maria Fondomonte S.A.	70,680	2,957	(1,048)	(897)
	<b>109,091</b>	<b>78,068</b>	<b>(4,360)</b>	<b>(7,582)</b>
<b>Services From</b>				
Arabian Shield Cooperative Insurance Company	153,791	136,517	(2,060)	(70,152)
Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	-	173	-	-
Saudi Telecommunication Company - STC	17,075	-	-	-
Zain	4,901	3,965	-	-
Al Jazirah Corporation for Press, Printing and Publishing	-	184	-	(75)
	<b>175,767</b>	<b>140,839</b>	<b>(2,060)</b>	<b>(70,227)</b>
<b>Subtotal</b>	<b>284,858</b>	<b>218,907</b>	<b>(6,420)</b>	<b>(77,809)</b>
<b>Finance Charges</b>				
Saudi British Bank	8,969	18,213	(1,660)	(4,204)
Banque Saudi Fransi	3,207	5,908	(615)	(1,456)
Arabian Shield Cooperative Insurance Company	-	21	-	-
National Commercial Bank	7,286	16,150	(1,229)	(3,677)
	<b>19,462</b>	<b>40,292</b>	<b>(3,504)</b>	<b>(9,337)</b>
<b>Bank Financing</b>				
Saudi British Bank	34,482	52,214	(1,274,062)	(1,321,146)
Banque Saudi Fransi	3,456	3,660	-	-
National Commercial Bank	4,291	9,962	-	(235,714)
Samba Financial Group	19,707	29,936	(800,000)	(775,000)
	<b>61,936</b>	<b>95,772</b>	<b>(2,074,062)</b>	<b>(2,331,860)</b>

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 36. RELATED PARTY TRANSACTIONS continued

**36.1.** The related party transactions were made on mutually agreed terms. The related parties, other than subsidiaries and associates, include the following:

Entity	Relationship
Panda Retail Company	Common Directorship
Afia International Company	Common Directorship
Herfy Food Services	Common Directorship
United Sugar Company	Common Directorship
Al Nafoura Catering	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Saudi Telecom Company	Common Directorship
Zain	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
National Commercial Bank	Common Directorship
Samba Financial Group	Common Directorship
Maria Fondomonte S.A.	Associate Company

**36.2.** Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the 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 top five 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 2020			31 December 2019		
	Non Executive / Independent Board Members	Key Management Personnel	Total	Non Executive / Independent Board Members	Key Management Personnel	Total
	SAR '000			SAR '000		
Salaries and Compensation	500	9,604	10,104	600	8,832	9,432
Allowances	1,905	2,631	4,536	2,192	950	3,142
Annual and Periodic Bonuses	-	12,351	12,351	-	31,214	31,214
Termination Benefits	-	4,000	4,000	-	8,043	8,043
Share Based Payment Transactions	-	779	779	-	1,215	1,215
In-kind Benefits	-	510	510	-	1,404	1,404
Other Benefits	1,800	2,219	4,019	1,800	286	2,086
<b>Total</b>	<b>4,205</b>	<b>32,094</b>	<b>36,299</b>	<b>4,592</b>	<b>51,944</b>	<b>56,536</b>

### 37. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2020, 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 2020, the Group had 7 commission rate swap agreements in place with a total notional amount of SAR 1,775.0 million. At 31 December 2019, the Group had 15 commission rate swap agreements in place with a total notional amount of SAR 2,930.9 million.

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

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

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

	Notional amount of the hedging instruments		Carrying amount of the hedging instrument	
	Current SAR '000	Non-Current SAR '000	Assets SAR '000	Liabilities SAR '000
<b>31 December 2020</b>				
Forward currency contracts	2,604,727	936,713	4,391	6,348
Interest rate swaps	1,775,000	-	73	696
Commodity Derivatives	188,164	-	49,725	984
	<b>4,567,891</b>	<b>936,713</b>	<b>54,189</b>	<b>8,028</b>
<b>31 December 2019</b>				
Forward currency contracts	1,778,306	697,965	2,600	3,480
Interest rate swaps	1,155,901	1,775,000	633	2,629
Commodity Derivatives	467,045	-	11,243	4,613
	<b>3,401,252</b>	<b>2,472,965</b>	<b>14,476</b>	<b>10,722</b>

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 38. FINANCIAL INSTRUMENTS

#### 38.1. 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 Group 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 categorized 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.

	Carrying amount				Fair Value			
	Hedging	FVOCI	Amortized	Total	Level 1	Level 2	Level 3	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2020</b>								
<b>Financial Assets</b>								
Derivative Financial Instruments	54,189	-	-	54,189	-	54,189	-	54,189
Equity Investment	-	129,734	-	129,734	129,734	-	-	129,734
Trade and Other Receivables	-	-	1,383,462	1,383,462	-	-	-	-
Cash and Bank Balances	-	-	503,510	503,510	-	-	-	-
	<b>54,189</b>	<b>129,734</b>	<b>1,886,972</b>	<b>2,070,895</b>	<b>129,734</b>	<b>54,189</b>	<b>-</b>	<b>183,923</b>
<b>Financial Liabilities</b>								
Derivative Financial Instruments	8,028	-	-	8,028	-	8,028	-	8,028
Loans and Borrowings	-	-	11,114,968	11,114,968	-	-	-	-
Bank Overdrafts	-	-	137,512	137,512	-	-	-	-
Trade and Other Payables	-	-	3,014,834	3,014,834	-	-	-	-
	<b>8,028</b>	<b>-</b>	<b>14,267,314</b>	<b>14,275,342</b>	<b>-</b>	<b>8,028</b>	<b>-</b>	<b>8,028</b>
<b>31 December 2019</b>								
<b>Financial Assets</b>								
Derivative Financial Instruments	14,476	-	-	14,476	-	14,476	-	14,476
Equity Investment	-	145,684	-	145,684	145,684	-	-	145,684
Trade and Other Receivables	-	-	1,259,525	1,259,525	-	-	-	-
Cash and Bank Balances	-	-	557,553	557,553	-	-	-	-
	<b>14,476</b>	<b>145,684</b>	<b>1,817,078</b>	<b>1,977,238</b>	<b>145,684</b>	<b>14,476</b>	<b>-</b>	<b>160,160</b>
<b>Financial Liabilities</b>								
Derivative Financial Instruments	10,722	-	-	10,722	-	10,722	-	10,722
Loans and Borrowings	-	-	12,883,720	12,883,720	-	-	-	-
Bank Overdrafts	-	-	219,118	219,118	-	-	-	-
Trade and Other Payables	-	-	3,019,160	3,019,160	-	-	-	-
	<b>10,722</b>	<b>-</b>	<b>16,121,998</b>	<b>16,132,720</b>	<b>-</b>	<b>10,722</b>	<b>-</b>	<b>10,722</b>

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 38. FINANCIAL INSTRUMENTS continued

Level 2 derivative financial instruments include forwards, commission rate swaps and commodity derivatives. These derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

#### 38.2. 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 and derivative financial instruments as follows.

	31 December 2020 SAR '000	31 December 2019 SAR '000
Cash at Bank	475,236	517,512
Time Deposit	-	590,038
Trade Receivables - Third Parties	1,089,356	974,819
Trade Receivables - Related Parties	186,860	154,300
Derivative Financial Instruments	54,189	14,476
Other Receivables	107,246	130,406
	<b>1,912,887</b>	<b>2,381,551</b>

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances, term deposits and derivative financial instruments are held with banks with sound credit ratings ranging from BBB- and above.
- The receivables are shown net of allowance for impairment of trade receivables and sales returns. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, unemployment rate, inflation rate and interest rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Financial position of related parties is stable.

Trade receivables outstanding balance comprises of 59.8% in KSA, 27.9% in GCC (other than KSA) and 12.3% in other Countries. The five largest customers account approximately for 39.8 % of outstanding trade receivables at 31 December 2020.

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.

### 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 2020			
	Carrying Amount SAR '000	On Demand or less than 1 year SAR '000	1-5 years SAR '000	More than 5 years SAR '000
<b>Non Derivative Financial Liabilities</b>				
Bank Overdrafts	137,512	145,205	-	-
Loans and Borrowings	11,114,968	1,067,053	7,897,011	2,595,502
Trade and other payables	3,008,414	3,008,414	-	-
Trade Payables to Related Parties	6,420	6,420	-	-
	<b>14,267,314</b>	<b>4,227,092</b>	<b>7,897,011</b>	<b>2,595,502</b>
<b>Derivative Financial Liabilities</b>				
Forward currency contracts	6,348	2,591	3,757	-
Interest rate swaps	696	696	-	-
Commodity Derivatives	984	984	-	-
	<b>8,028</b>	<b>4,271</b>	<b>3,757</b>	<b>-</b>

	31 December 2019			
	Carrying Amount SAR '000	On Demand or less than 1 year SAR '000	1-5 years SAR '000	More than 5 years SAR '000
<b>Non Derivative Financial Liabilities</b>				
Bank Overdrafts	219,118	234,189	-	-
Loans and Borrowings	12,883,720	2,066,056	7,899,832	3,433,181
Trade and other payables	2,941,351	2,941,351	-	-
Trade Payables to Related Parties	77,809	77,809	-	-
	<b>16,121,998</b>	<b>5,319,405</b>	<b>7,899,832</b>	<b>3,433,181</b>
<b>Derivative Financial Liabilities</b>				
Forward currency contracts	3,480	3,190	290	-
Interest rate swaps	2,629	1,363	1,266	-
Commodity Derivatives	4,613	4,613	-	-
	<b>10,722</b>	<b>9,166</b>	<b>1,556</b>	<b>-</b>

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 38. FINANCIAL INSTRUMENTS continued

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.

#### 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, commission rates, commodity prices and foreign currency exchange rates, 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 optimizing 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 4,692.0 million at 31 December 2020 (2019: SAR 6,325.7 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, related to variable rate borrowings (net of hedge) 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
<b>31 December 2020</b>	SAR	+100	(46,920)
	SAR	-100	46,920
<b>31 December 2019</b>	SAR	+100	(63,257)
	SAR	-100	63,257

#### Commodity Price Risk:

Commodity Price Risk is the risk associated with changes in prices to certain commodities including corn, sugar and soya etc. 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.

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.

The sensitivity of the commodity prices to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 14.0 million.

### 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 recognized 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 is not exposed to foreign currency fluctuation risk arising from the BHD and the JOD as these are pegged to USD. The fluctuation in exchange rates against ARS, KWD, EGP, EUR 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
<b>31 December 2020</b>						
Cash at Bank	6,148	18,006	65,231	3,430	7,616	100,431
Cash in Hand	6	5,967	229	95	48	6,345
Trade Receivables	949	91,786	22,377	-	-	115,112
Bank Overdrafts	-	-	(53,370)	-	-	(53,370)
Short-term Borrowings	(22,460)	-	(77,287)	-	-	(99,747)
Long-terms Borrowings	-	-	(186,773)	(200,062)	-	(386,835)
Trade Payables	(9,637)	(1,549)	(88,329)	(175,928)	(7,141)	(282,584)
<b>Net Statement of Financial Position exposure</b>	<b>(24,994)</b>	<b>114,210</b>	<b>(317,922)</b>	<b>(372,465)</b>	<b>523</b>	<b>(600,648)</b>
<b>31 December 2019</b>						
Cash at Bank	1,266	4,071	99,077	5,673	4,435	114,522
Cash in Hand	7	18,272	1,258	148	51	19,736
Trade Receivables	134	96,865	46,401	-	-	143,400
Bank Overdrafts	-	-	(128,640)	-	-	(128,640)
Short-term Borrowings	(26,543)	-	-	-	-	(26,543)
Long-terms Borrowings	-	-	(230,789)	(208,615)	-	(439,404)
Trade Payables	(3,025)	(2,807)	(76,261)	(166,457)	(17,913)	(266,463)
<b>Net Statement of Financial Position exposure</b>	<b>(28,161)</b>	<b>116,401</b>	<b>(288,954)</b>	<b>(369,251)</b>	<b>(13,427)</b>	<b>(583,392)</b>

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2020

### 38. FINANCIAL INSTRUMENTS continued

The Group uses forward currency contracts to eliminate significant currency exposures. Management believes 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.

A strengthening / (weakening) of the ARS, KWD, 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 2020 SAR '000	31 December 2019 SAR '000
ARS	(2,499)	(2,816)
KWD	11,421	11,640
EGP	(31,792)	(28,895)
EUR	(37,247)	(36,925)
GBP	52	(1,343)
	<b>(60,065)</b>	<b>(58,339)</b>

#### 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.

#### 38.3. LIBOR Reform Transition

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will not significantly impact the Group's current risk management strategy and possibly accounting for certain financial instruments. The Group has certain USD dominated long-term loans, amounting to SAR 396.4million, which are exposed to the impact of LIBOR. The Group has adopted Secured Overnight Financing Rate ("SOFR"), as a benchmark rate in place of LIBOR, that is recommended by the Alternative Reference Rates Committee ("ARRC") appointed by US Federal Reserves Board.

**Mitigation actions:**

The Group has established a programme across all its business lines, operational areas and geographical regions that focuses on:

- assessing and reducing the Group's and clients' exposure to legacy LIBOR contracts by amending or replacing existing contracts to either include robust fall back provisions and or replace LIBOR with risk free rates or an alternative rate.
- Enhancing existing infrastructure and financial models to prepare for a smooth transition to alternative risk-free reference rates.

The Group continues to develop and implement plans to mitigate the risks associated with LIBOR cessation as alternative reference rates develop.

**39. DIVIDEND APPROVED AND PAID**

On 13 Sha'aban 1441 A.H. (6 April 2020), the shareholders in their Extraordinary General Assembly Meeting approved dividends of SAR 850.0 million (SAR 0.85 per share) for the year ended 31 December 2019 which was paid on 18 Sha'aban 1441 A.H. (13 April 2020).

**40. DIVIDEND PROPOSED**

The Board of Directors have proposed, for shareholder's approval at the General Assembly Meeting, a dividend of SAR 1,000.0 million (SAR 1 per share) for the year ended 31 December 2020.

**41. SUBSEQUENT EVENTS**

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

**42. BOARD OF DIRECTORS APPROVAL**

These Consolidated Financial Statements were approved by the Board of Directors on 11 Jumada Al-Thani 1442 A.H. (24 January 2021).

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