المراعي®
Almarai

NAVIGATING **WITH CARE**

Annual Report **2021**

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In a year of considerable challenges, Almarai demonstrated our strength and resilience to continue to fulfill our promise of 'Quality you can trust' by overcoming obstacles and **Navigating with Care.**

Building on the solid foundation of exceptional talent, world-class operations and robust ESG, we executed our strategy and invested for the future, creating value for our diverse stakeholder community while paving the way for accelerating growth in 2022 and beyond.

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 2021 Annual Report on
https://annualreport.almarai.com

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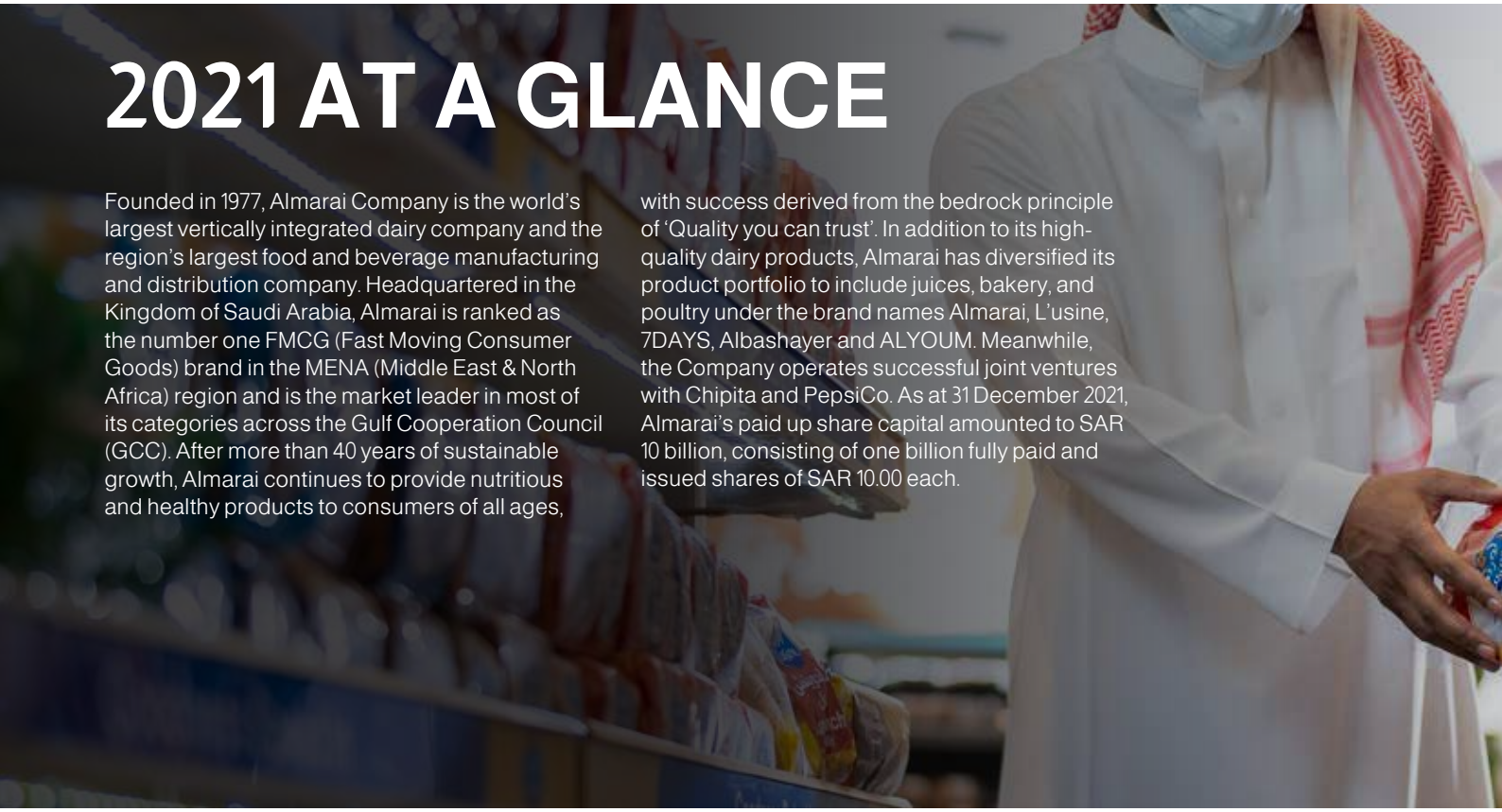


2021 AT A GLANCE

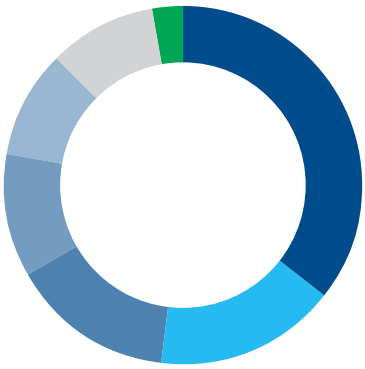
Founded in 1977, Almarai Company is the world's largest vertically integrated dairy company and the region's largest food and beverage manufacturing and distribution company. Headquartered in the Kingdom of Saudi Arabia, Almarai is ranked as the number one FMCG (Fast Moving Consumer Goods) brand in the 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 2021, 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.

Revenue Segmentation

Sales by Product

(SAR billion)

Fresh Dairy	5.7
Foods	2.3
Poultry	2.3
Bakery	1.8
Long Life Dairy	1.6
Fruit Juice	1.5
Other Sales	0.6
Total	15.8



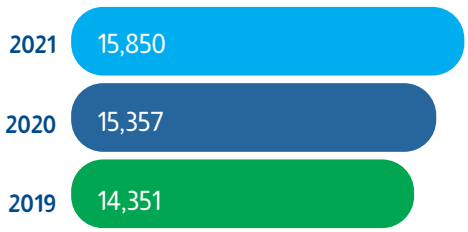
Sales by Geography

(SAR billion)

KSA	10.2
UAE	1.4
Egypt	1.3
Kuwait	0.8
Oman	0.6
Jordan	0.5
Bahrain	0.3
Others	0.7
Total	15.8

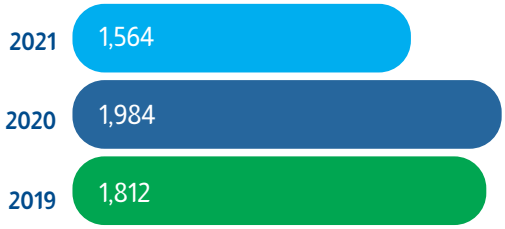
Highlights

Total sales
(SAR million)



Free cash flow
(SAR million)

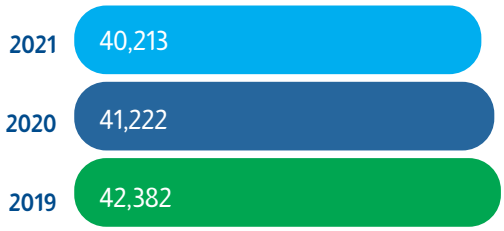
Net profit*
(SAR million)



CAPEX
(SAR million)

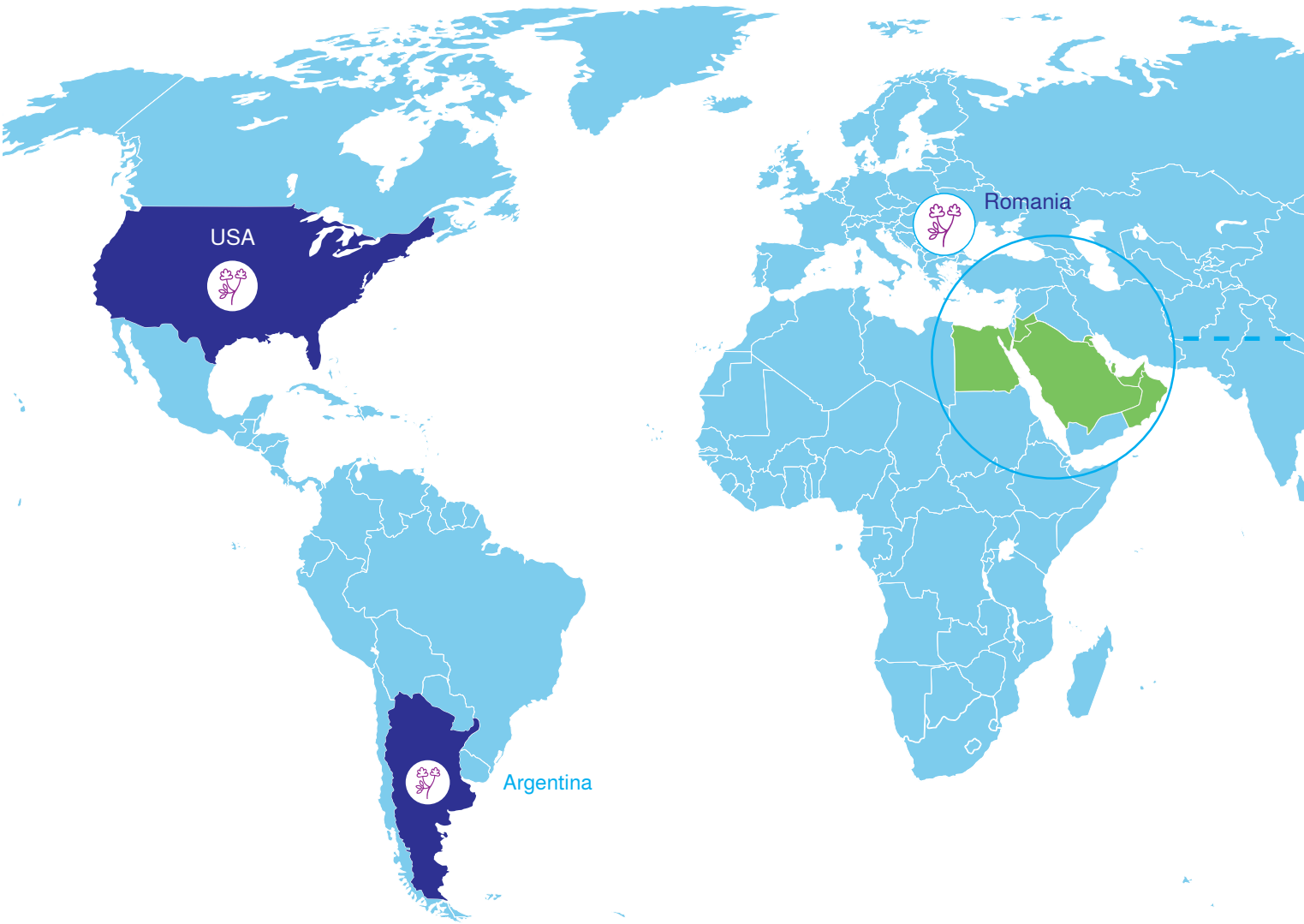
Operating cash flow
(SAR million)

Total headcount



*Profit attributable to the Shareholders of the 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.

Read more on Page 40-41

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.

Read more on Page 42-43

Arable farms

Dairy farms

Poultry farms

Manufacturing

Sales depots

Head Office

Poultry

Our Poultry brand, ALYOUM, continues to enjoy the number one spot as brand of choice for over 32% 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.

Read more on Page 44-47

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.

Read more on Page 48-49

Awards and Recognition

- Top 10 Recommended Brands in KSA and UAE
- Healthiest Brands in UAE

Top 50
Saudi Arabia

Best Employers
in the Middle East

Awards for Best Marketing Campaigns in the Middle East

1st Saudi Brand with
1B views

- First Choice for Consumers in KSA and UAE
- Fourth place in Achieving Sustainability for the Environment

KSA's Top 10
Best Employers

BASES Top breakthrough innovations KSA – Farm's Select, L'usine Bran Bread, L'usine Muffin

Corporate Governance Excellence Award

VISION

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

MISSION

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

VALUES

Adaptable

Sharing

Passionate

Innovative

Respect

Excellence

Year in Review 2021

Mar

Almarai announces the appointment of the new CEO of the Company

Almarai announces the appointment of a Board Member

Almarai announces the acquisition of 100% shares in Bakemart UAE and Bakemart Bahrain

May

Almarai's Board of Directors ("The Company") approved on 2 May 2021, a capital investment estimated at SAR 6.6 billion to expand the Poultry segment that aims towards doubling the Company's market share in this sector

Almarai announces that one of its subsidiaries has acquired an additional stake in Modern Food Industries ("MFI")

Jun

Almarai announces the acquisition of Binghatti Beverage's Production Facility in the UAE

Dec

Almarai announces the distribution of a cash dividend for 2021

Almarai announces plan to enter Branded Local Beef Category

STRATEGIC REVIEW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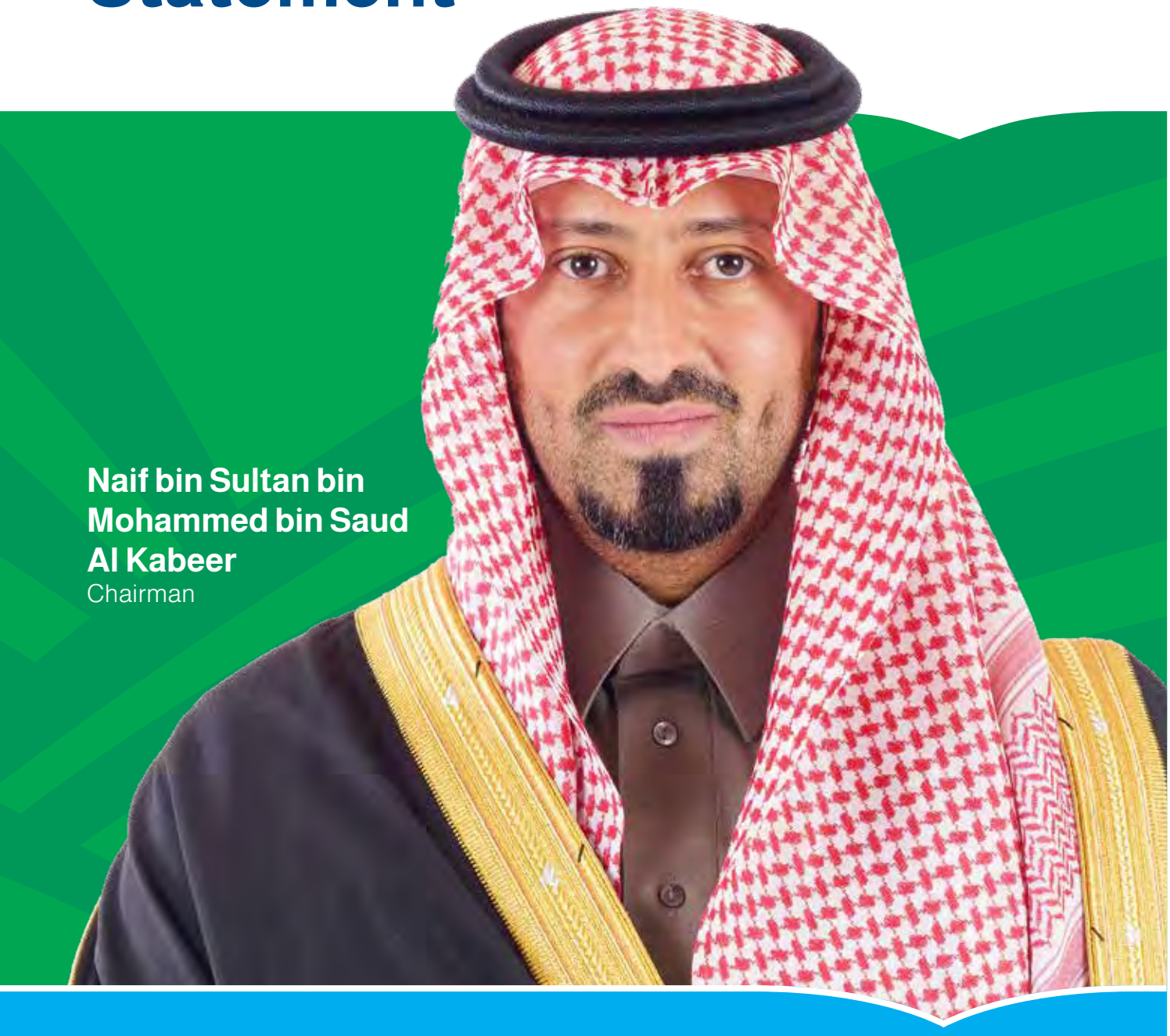
Almarai

Chairman's Statement



Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

Almarai has continued to maintain its dependable resilience and deliver sustainable growth, in successfully navigating what has been yet another challenging year for the global economy and our markets.

While these negative trends continue to exert bottom line pressures – particularly as a result of inflationary effects that have led to unprecedented cost increases – we continue to refine our product mix and sales channels to ensure our position at the forefront of the sector's rebound to profitability.

Navigating with care

Throughout 2021, Almarai's markets continued to experience diverse and persistent challenges caused by the impact of the COVID-19 pandemic. While new growth opportunities presented themselves as economic activity rebounded, particularly towards year-end following successful vaccination campaigns in certain markets, changing market dynamics, inflationary pressures and supply chain disruptions dampened near-term prospects for our company. Despite this difficult operating environment, the quality of our people, products and operations shone through, allowing us to successfully maintain strategic focus and continue to deliver on our promises to our customers, partners and country.

As a vital player in national efforts to strengthen the Kingdom's food security, Almarai continues to support the initiatives of the Saudi government to establish and maintain robust supply lines, grow the essential foods sector, and provide resilient employment for the Kingdom's communities.

Through our various expansion initiatives, we are also growing our contribution to the realization of the social responsibility and sustainability objectives of Saudi Vision 2030, supporting the continuing development of the countless communities we serve.

Strategic progress in 2021

Almarai continues to be guided by the key pillars of our strategy, through which we seek to deliver greater operating efficiency and asset optimization, backed by rising investment in innovation and marketing to expand into new organic and inorganic growth areas for our business.

We increased our holding in Modern Food Industries (MFI), supporting our unrivalled position in the Saudi bakery market.

During the year, expansion of our regional footprint in the Bakery segment through the acquisition of BakeMart in the UAE and Bahrain. We also acquired a dedicated juice production facility in the UAE to add momentum to our food service growth drive in the Emirates and are exploring further opportunities in milk production.

Meanwhile, Almarai continues to deliver on our strategic imperatives by leveraging technological enhancements and innovation, with an increasing focus on digitization.

Delivering on our commitments

Almarai's total market capitalization at year-end 2021 stood at SAR 49 billion, with one billion shares in issue. Through our progressive cash dividend policy, we continue to deliver on our commitments to our shareholders. Our free cash flow of around SAR 3 billion in 2021 provided scope for total cash dividends of SAR 1 billion for the year, equivalent to SAR 1 per share, with a dividend payout ratio of 63%.

Committed to corporate sustainability

Almarai has always taken our sustainability responsibilities seriously, and are proud to lead the sector in environmental, social, and corporate governance. Through our diverse collaboration with the government sector and NGOs, we remain closely aligned with the Kingdom's Vision for national development, while ensuring that we adhere to the highest standards of governance, transparency and accountability.

These activities and actions are complemented by our commitments to reducing the environmental impacts of our operations for the benefit of the nation and its people, as well as to support the broader efforts and goals of the international community to achieve sound environmental stewardship.

To this end, we are refining our supply chain to maximize efficiency of production, support responsible and sustainable farming, and prioritize an increasing share of green energies such as solar in our operations and supply networks.

Almarai's total market capitalization at year-end 2021 stood at

SAR 49 billion

We also remain dedicated to providing a safe, enriching and equitable working environment for our employees and stakeholders, whilst applying our core values to promote both their individual well-being and professional success.

Strategic focus for 2022

Almarai is firmly on course to retain and grow our leadership position in the sector as the world's largest vertically integrated dairy company, focusing on our core products whilst also delivering more strategic expansion in the coming years.

In the year ahead, we will continue to innovate to diversify our product portfolio and promote operational efficiency and service excellence. By faithfully executing the programmes of our Almarai 2025 strategy, the company is well positioned to deliver significant and sustainable progress across our priority areas, achieving further growth and creating greater value for our business and diverse stakeholder community.

Acknowledgements

On behalf of the Board, I would like to thank the Saudi government for its enduring support, as well as all our partners and shareholders, whose enduring commitments to our shared aims and goals continues to propel our positive growth trajectory.

Finally, I am indebted to our employees throughout the company for their continued commitment to delivering exceptional customer satisfaction amongst our consumers and driving our shared success.


المراعي
Almarai
يوناني
شراب الزبادي
فراولة
قليل الدسم
بروتين
ألياف
قطع فواكه طبيعية
Nutrition Facts
Calories

Navigating with Care

Almarai has always been built around a promise – to make sure our high quality and nutritious food and beverages enrich the lives of the millions of people who depend on us each day. Every person at Almarai is committed to fulfilling this promise of 'Quality you can trust', no matter the challenges we face.

That's why, despite another challenging year for our industry and markets, we can once again say with pride that we delivered on our commitments to all our stakeholders. With great focus and agility, we adapted to the volatile operating environment, executed our strategy and invested for the future, fully leveraging and benefiting from our solid foundation – the strength of our people, systems and brand – that has been built over decades.

In navigating the unique circumstances of the past two years with courage, confidence and care – care for our country, our environment, our partners, our customers, our investors, and our people – we have emerged stronger than ever and well positioned for sustainable growth and value creation in the years ahead.


المراعي
Almarai

CEO's Message

Abdullah Al Bader
CEO

Despite the negative headwinds generated by the COVID-19 pandemic, Almarai has remained steadfast in delivering on its commitments to its many stakeholders in the Kingdom and beyond, maintaining our dependable product quality and achieving resilient growth throughout 2021.

Strength in resilience

The ongoing fallout from the COVID-19 pandemic continues to undermine supply chains and the food and beverage industry globally, resulting in inflationary pressure on commodity prices and high freight charges that create multiple challenges for the sector. Nevertheless, we once again demonstrated our agility and dynamism to mitigate business disruption and maintain our trusted position as the leading player in the region's food sector.

Throughout 2021, therefore, we continued to deliver the product quality and availability our customers know and expect. This reflects our deep understanding of our evolving market, which lies at the heart of our resilient strategy, allowing us to adapt to changing realities, backed by our strong brand value and extensive customer base.

Continued strategic progress

As a key element in delivering long-term food security in the region, Almarai continues to support the execution of the post-crisis economic recovery whilst protecting the health and wellbeing of our consumer and stakeholders.

Our robust growth strategy remains in place, testifying to the resilience of its foundations, and Almarai continues to commit record levels of investment in poultry, committing to double our supply through some SAR 6.6 billion in targeted investments over five years.

Despite the negative impacts of the pandemic on single, impulse and grab-and-go sales, particularly in bakery, positive indicators emerged during the course of 2021 indicating a return to these channels among consumers, powered by an easing of protective measures.

Capitalizing on these signs of market recovery, we increased our investment stake in the 7DAYS brand, acquired Bakemart to bolster our baker operations and product range, and completed further strategic acquisitions in the UAE's juice segments.

The green chutes of recovery were also notable in the Kingdom's food service and HORECA channels, which witnessed a strong rebound in the second half of the year. We are also scaling up our international operations, securing double digit topline growth in markets in Egypt and Jordan, albeit at lower margins than our home markets in the GCC.

The focus on maximizing our full potential across our growing footprint is also guiding Almarai's evaluation of new, high-potential growth opportunities in adjacent categories and new geographies where our brand resonates with consumers.

Financial performance in 2021

Almarai has continued to achieve solid performance and growth throughout 2021, delivering both continuity and profitability above competitors despite the challenging landscape.

The company maintained a steady value share position in the dairy and foods – Poultry and Bakery categories, leveraging our strong H1 2020 base and applying various successful mitigation measures to deliver growth in moving annual totals (MAT) in dairy and foods.

Challenging market conditions in the GCC were supported by sales in Egypt and Jordan and the rebound in food service channels, with total annual revenue climbing by 3% in 2021 to reach SAR 15.8 billion, while top line growth was seen in all Almarai's markets.

Net income attributable to shareholders of the Company stood at SAR 1.6 billion and operating profit totaled SAR 2.0 billion at year-end, representing a contraction of 21.2% and 20.1%, respectively, against 2020. With EBITDA reaching SAR 3.5 billion for 2021, Almarai closed the year with a net debt to EBITDA of 2.6x against the target of 2.5x.

A diversified market leader

As a regional leader in the dairy segment, we continued to expand our market position in the Kingdom throughout 2021, achieving MAT growth for dairy and foods against the previous year and securing leadership in the Labneh market. Almarai remained the KSA market leader in value share for fresh milk and laban.

Our focus on improving our core product offering resulted in accelerated market share growth in labneh (+23%), milk powder (+4%), plain UHT milk (+1%) and cheese square portions (+3%) in 2021, complemented by robust expansion in new segments such as hummus and honey.

The food service segment also represents a key growth enabler for the company and a prime focus of our poultry unit, which delivered 28% growth in value and 24% growth in volume in 2021, generating annual revenues of SAR 2.3 billion.

As well as maintaining our prime position in our home market of Saudi Arabia, we consolidated our leadership in the main GCC poultry markets of UAE and Kuwait. At end-2021, we occupied the top positions in the Kingdom, UAE and Kuwait in terms of market share volume at 30%, 21% and 63%, respectively.

Almarai has remained steadfast in the face of growing price competition in the juice segment in 2021, maintaining our strong and stable market share of 45%, whilst also leading sector-wide expansion in the super premium segment, achieving total juice revenue of SAR 1.5 billion in 2021, representing a rise of 4% over 2020.

Meanwhile, with a MAT of 53%, our popular bakery brands vastly outperform our competitors in the segment, with bakery revenue growing to SAR 1,789 million in 2021 over SAR 1,712 million in the previous year, as on-the-go customers began to return in the wake of the pandemic.

Investing in innovation and customer experience

Almarai maintains its solid reputation for product diversification and innovation, with a number of successful product launches completed in 2021.

While the COVID-19 pandemic continues to disrupt supply chains, prices and consumer behavior, affecting project timelines, Almarai continues to adapt to these volatile conditions to meet the new demands of consumers.

For example, our adding more premium product ranges continues to generate highly positive responses among customers. This is exemplified by the successful launch of our new Brioche range, blueberry muffins and premium Swiss Cheese jars, and the continued growth of our diversification into the hummus segment, initiated in 2020.

We continue to invest in innovative new systems and infrastructure to refine our internal processes, such as the launch of SAP S/4 Hana business suite, which has transformed the way we record, track and generate data. Innovation is also driving our investments in digital platforms, both to support our operations and serve our customers more effectively through intuitive digital touchpoints.

Supporting and engaging our people

Almarai is known for providing a safe and supportive working environment for our people, anchored by a culture that reflects our strong commitments to supporting employee development and satisfaction.

Consequently, our employee retention rate reached 88% in 2021, spurred by our continuing efforts to keep Almarai as the employer-of-choice in the sector. At end-2021 we supported a workforce of 40, 213 employees, with a Saudization rate of 28%.

Despite the inevitable disruption caused by the pandemic, our extensive training regime remained on task, with the Almarai Academy providing skills online for more than 800 managers over the course of a total of 81,319 learning hours.

Almarai also continues to enrich the employee experience through a range of digital engagement platforms, as well as via a broad programme of incentives and rewards that recognize and celebrate the success of our people in supporting our strategic business goals.

Looking forward

The knock-on effects of the pandemic continue to hamper a full recovery of the sector, and the challenging macro environment looks set to endure in 2022.

Nevertheless, Almarai's strong balance sheet and stable cash flows, resilient strategy, and unparalleled market share in the sector will see the company emerge stronger and more focused than ever.

As we achieve encouraging progress in our path to realizing the aims of the Almarai 2025 strategy in the coming year, the company will remain true to its key differentiators in the market by maintaining our relentless focus on quality and product diversification.

Strategic priorities for 2022 will include the roll-out of further measures to maintain and expand our core business lines, whilst leveraging the expected uptick in post-pandemic tourism driven by the governments broad initiatives in this sector.

We will also continue to prioritize capital optimization and reduce costs to access greater efficiencies across our business.

Acknowledgements

As I look back on a challenging yet successful year, I wish to express my gratitude to our employees for their resilience and hard work in realizing our objectives as a company, and to our customers for their continued trust and loyalty to our brand.


Almarai

Market Review

Across the MENA region and our home market of Saudi Arabia, this year presented continued challenges from the ongoing uncertainty and impact of the COVID-19 pandemic, while also presenting new opportunities for growth as a result of a recovery in some of our segments and markets.

The MENA Region

During 2021, economies across the MENA region experienced a tenuous and uneven economic recovery amidst the ongoing COVID-19 pandemic. The slow pace of the developing MENA countries leaves them vulnerable to surges in COVID-19 cases, thereby posing imminent risk to the growth outlook for those countries and the region as a whole.

Real GDP growth in the MENA region is expected to rebound in 2021, rising 3% compared to 2020, building on the lower base from the drop experienced in 2020 as a result of the economic impact of the pandemic.

The regional economy is seen expanding at a healthy pace in 2021, amid higher average crude prices and the easing of OPEC+ cuts. Economic growth picked up because of the vaccine rollout, looser restrictions and pent-up demand, which supported increased investment and household spending.

The ongoing subdued recovery is expected to solidify in 2022, as the vaccine rollouts progress. Activity in oil exporting countries is set to gain pace, as higher oil prices and early vaccine rollouts support the outlook for many GCC economies. Moreover, oil production will likely rise next year as OPEC+ further reduces production cuts. The recent increase in oil prices will boost confidence, supporting non-oil GDP.

Meanwhile, new challenges are emerging with rising inflation, due to pandemic related supply shortages and higher commodity prices. Hence, headwinds to the outlook and uncertainty about how quickly the pandemic can be overcome have increased.

The Kingdom of Saudi Arabia

With a large portion of the population vaccinated, mobility has returned and even surpassed pre-pandemic norms. This bodes well for a continued return to normalcy. As a result, the economy is on track to record a very strong level of growth this year, projected to increase by 3%.

The tourism sector, which was severely impacted last year, rebounded to above pre-pandemic levels, which should serve as a catalyst for accelerating growth in public consumption. In addition, higher numbers of Hajj and Umrah pilgrimages relative to last year, contributed strongly to the local economy.

Meanwhile, the primary risk to the Saudi economy remains the unpredictable and disruptive nature of COVID-19. More specifically, to global developments related to the 'Omicron' variant that emerged and spread rapidly at the end of 2021. As it stands, it is too early to gauge the full impact of the variant on the Saudi economy, especially without knowing to what extent, if any, the variant poses a threat to the effectiveness of the current assortment of COVID-19 vaccines.

The Regional F&B Market

The F&B consumer landscape across the GCC is evolving in the COVID-19 era, with recovering economies in the latter part of 2021, coupled with commodity price hikes, brought about a new 'Price Conscious and Cautious' consumer profile. Add to this a pandemic hit populace, increasingly wary of eating out and ordering in, and the list of challenges facing F&B markets in the region are formidable in the near term.

For those operators who can retain customer loyalty, especially those who can do so through deliveries, the recovery is expected to be smoother in 2022. But to do so will require a minimum set of measures to allay consumer concerns around stringent health and safety requirements, adding to the compliance costs for businesses across the region.

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
- 1,664+ suppliers
- Supplying 42,699 items
- SAR 6.8 billion spent on materials in 2021

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

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

Best-loved brands
- Eight leading brands

Innovative people
- Workforce of 40,213 inspired by innovation
- World-class training and development programme
- 59 nationalities

Strong financial support
- Robust financial management, low leverage
- Access to funding from global capital markets
- Strong working capital and 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

- All business units served by Sales, Distribution and 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
- 200+ projects in pipeline meet new consumers trends and maximize operational efficiency

Exceptional transport and logistics

- Transport and Logistics division larger than any logistics company in the Middle East
- 8,527 vehicles deliver 2 billion kg of product on time and in perfect condition

Consumer insights and 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

Outputs

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

Our robust growth strategy remains in place, testifying to the resilience of its foundations, and Almarai continues to commit record levels of investment in poultry, committing to double our supply through targeted investments over five years. 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

2025 ASPIRATION

Mission

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

Vision

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

Values

ADAPTABLE | SHARING | PASSIONATE | INNOVATIVE | RESPECT | EXCELLENCE

GOALS BY 2025

- ~1.5X market growth
- RONA > WACC+2%
- Top quartile employee satisfaction
- Preferred consumer brand
- Almarai's 2025 Sustainability goals

WHERE TO PLAY

Focus on GCC core full potential

- Grow Poultry
- Expand Dairy market share in Foods and Long Life milk
- Grow Foodservice into a profitable business
- Develop UAE footprint
- Continue to strengthen Egypt and Jordan operations

Evaluate high-potential new growth opportunities

Adjacent categories

- Aquaculture, Beef, Alternative Proteins, Other

New geographies

- Markets where the Almarai brand resonates with consumers

HOW TO WIN

Operational efficiency

- Cost reduction
- Asset utilization
- Distribution model optimization
- Channel profitability management

Operating model and talent

- Simplification and agility
  - Delayering
  - Organizational Design
  - Offshoring/Outsourcing
- Performance-based culture
- Saudization
- Succession planning

Digitization

- Core system modification
- Process standardization and automation
- Digital and advanced analytics capability-building

Active M&A Process

- Expansion of core businesses
- New categories
- New geographies
- Alternative supply sources

Strategy in **Action**

Acquisition of Bakemart

Recovery in Foodservice

Acquisition of UAE Factory

Extending our core into a rapidly growing segment

In line with Almarai's strategic focus to achieve the full potential of our core business verticals, we identified Frozen Bakery as a fast growing segment which was a logical extension of our core Bakery business. We also saw a significant opportunity to support our Foodservice business, which is a channel that we are investing in for growth. However, we did not have a presence in Frozen Bakery, which requires different manufacturing technologies to those used in our traditional bakery business.

We considered both organic and inorganic options. Investing in the required technologies at our existing facilities would have been a riskier and longer process, so we focused on acquiring a successful existing regional business as our favored approach. We identified Bakemart – the leader in Frozen Bakery in the UAE and Bahrain – as our target, and we were able to agree a value and close the deal for 100% of the company in January 2022.

Fully financed from Almarai's operating cash flow, the SAR 95.5 million acquisition will further expand Almarai's bakery product offering and provide our UAE and Bahrain customers with an expanded product range. Looking forward, it creates a significant growth opportunity in Saudi Arabia, where we will leverage our existing network and infrastructure to develop the Bakemart business, driving value creation and bolstering our contribution to the Kingdom's food security.

Through this strategic acquisition, Almarai is now the #1 player in the UAE and Bahrain, and well positioned to rapidly become the leader in Frozen Bakery across the GCC region.

Demonstrating strength and agility in Foodservice

The COVID-19 pandemic had a dramatic impact on the Foodservice market in the Kingdom, the region GCC and around the world. As Foodservice operators were hit with lockdowns and reduced working hours, the drop in footfall resulted in almost 100% decline in normal daily operations for operators in certain Foodservice channels during the worst periods of the last two years.

During these challenging times, Almarai Foodservice maintained focus to ensure we were well positioned to recover faster than the market and return to our pre-COVID growth trajectory, while providing support to our customers where needed. We tapped on our extensive local knowledge, leveraged operators' insights to minimize disruptions, and used our extensive category mix to our advantage. We focused on priority channels and demonstrated our adaptability to strengthen relationships across our customer portfolio, collaborating with top customers to deliver practical solutions while also providing needed support to many mid- to small-sized Foodservice customers.

Through our strategic focus on this priority segment, Almarai Foodservice achieved a V-shaped recovery trajectory, bringing it in line with pre-COVID sales levels faster than other Foodservice operators in the region. Through prioritization of our customers, sales channels and new product development, we have ensured that Almarai Pro remains the leader in the GCC organized Foodservice segment, with a healthier sales mix, improved margins and enhanced operator loyalty.

As safety and security measures continue to relax across our markets and sectors – from travel and tourism to education and hospitality – we are well positioned to build on this positive momentum to achieve above market growth in this strategic segment.

By maintaining agility and working closely with customers across our value chain, Almarai succeeded in turning challenges into opportunities, returning to top line growth while deepening customer trust that is critical for the future.

Investing for stability and growth in the strategic UAE market

The UAE is a key market for Almarai. In the past, we have imported our products or collaborated with partners to co-manufacture for us locally. In line with our 2025 Strategy, we determined that it was strategically important to establish a local footprint in the UAE to ensure stability, manage operating costs and provide a proprietary platform for growth.

We determined that an acquisition was a more viable route to establishing a local footprint than building our own facility. After discussions with several parties, we identified one facility that we felt provided the best fit for Almarai, both in terms of what it offers us today and the expansion potential for future development. We were then able to agree a value with the seller and closed the deal in November 2021.

Fully financed from Almarai's operating cash flows, the AED 215 million acquisition will deliver strong growth in our Dairy and Juice business by expanding capacity and enabling entry to new market segments. We are currently moving into the new facility and ramping up production to better address local market needs with products that are fresher and more tailored to local tastes.

Almarai will invest in the development of this strategic facility to raise capacity to over 200 million liters of Dairy and Juice products each year and deliver greater variety to UAE customers.

Key Performance Indicators

We have set Key Performance Indicators (KPIs) to monitor progress and to deliver on the objectives of our strategy. The KPIs address both our Vision and our quality-driven, consumer-focused working culture.

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

RONOA on Net Operating Assets: **7.4%**

Platinum status
in all categories for Nitaqat purposes

KPIs 2021

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

CFO's Review

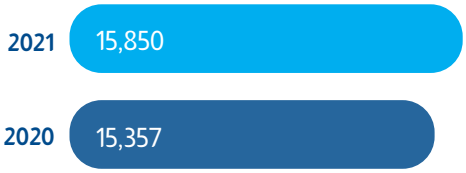
Danko Maras
CFO

Almarai delivered topline growth and addressed profitability for the year, achieving a solid overall performance despite the challenging operating environment and increasing costs having a material impact on our results. With growth in the majority of our markets and all our segments in Q4, as trading conditions normalized towards year-end, we are in a strong position to build on this positive momentum and capitalize on opportunities heading into 2022.

Rising revenues and effective cost management

Revenues for the year were SAR 15,850 million, up 3% from SAR 15,357 million in the previous year. Topline growth in our GCC markets was adverse due to the base year effect of higher food purchases in 2020, due to COVID-19 related movement restrictions. However, robust growth in our Egypt and Jordan consumer markets, as well as higher alfalfa sales as part of our de-stocking program, helped to deliver the positive overall topline growth at Group level.

Revenue
(SAR million)



Operating profit was significantly impacted by a substantial increase in cost inflation for global dairy and farm commodities, resulting in nearly SAR 420 million of additional cost during 2021, as well as the shift towards a more market driven supply chain structure driven by a reduction in subsidies of SAR 157 million. Whilst Almarai was able to mitigate the impact by effectively controlling operating cost, operating profit for the year dropped by 20% to SAR 2,015 million, while gross profit also decreased to SAR 5,059 million in 2021.

Almarai's net income attributable to shareholders of the Company of SAR 1,564 million, down 21% year on year as a result of these cost and regulatory headwinds, was supported by a significant reduction in funding costs. Financing costs for the Group decreased by SAR 150 million due to a lower net debt level, as well as lower funding rates driven by favorable market conditions throughout the year and effective rate management.

Record free cash flow and balance sheet strength

Despite the challenges faced on the profitability front, the Group fared well in cashflow generation, with net cash generated from operating activities of SAR 4,915 million, an increase of 17% from 2020. This was largely the result of stable business performance and improved working capital management, mainly for inventory and vendor management.

Net cash used in investment activities reached SAR 1,814 million in 2021 against SAR 1,373 million for 2020, adjusted for time deposit redemption of SAR 585 million. The investing activities resulted in slightly higher investment compared to last year, due to acquisition of Binghatti Manufacturing facility in the UAE.

Free Cash Flow
(SAR million)

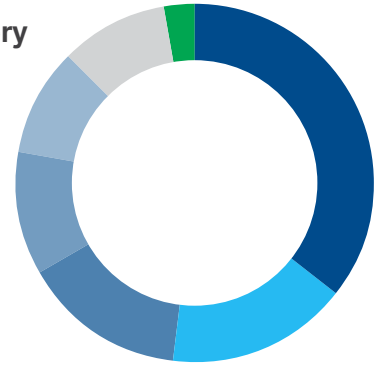
The positive free cashflow of SAR 3,101 million for 2021, an increase of SAR 271 million compared to 2020, was the highest ever free cashflow generated in Almarai history. Representing 20% of the net revenue, also a record achievement, the positive free cashflow was driven by improved working capital management and stable operating performance.

Segmental results

The Dairy and Juice segment recorded 2% growth over 2020, driven by strong performance in long-life dairy segment, which grew by 7% year on year. This was followed by fresh Dairy and Fresh Juice segments, which both recorded growth. The only exception to growth was the Foods segment, which reported a decline of 8% due to base year effect of one-off purchases done during COVID-19 related restrictions in 2020. The Dairy and Juice segment posted 18% lower net profit attributable to the shareholders of the company for the year, due to usage of 100% imported alfalfa, higher commodity costs and a lower subsidy.

Revenue by Category
(SAR million)

Fresh Dairy	**5,723**	36%
Foods	**2,274**	14%
Poultry	**2,302**	15%
Bakery	**1,800**	11%
Long Life Dairy	**1,634**	10%
Fruit Juice	**1,510**	10%
Other Sales	**618**	4%



Revenues up by

3%

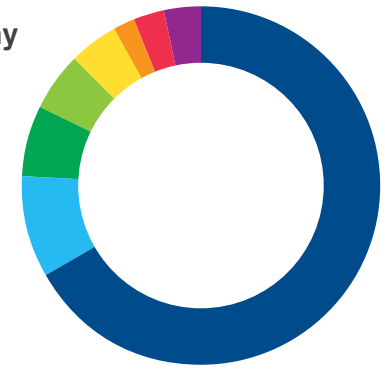
The Bakery segment accelerated growth in the second half of the year, as schools were partially opened after summer break. The volume growth in the second half was further supported by positive product mix of single serve, resulting in 4% growth for the full year.

The Poultry segment delivered slightly positive full-year revenue, as pricing adjustments across the category helped overcome unfavorable channel mix due to opening of hotels and restaurants during the year. However, net profit for the Poultry segment decreased by 37% due to reduction in subsidy and higher feed commodity costs.

Sales by Geography

(SAR million)

KSA	**10,223**	65%
UAE	**1,381**	9%
Egypt	**1,263**	8%
Kuwait	**784**	5%
Oman	**616**	4%
Jordan	**545**	3%
Bahrain	**340**	2%
Others	**697**	4%



Geographic results

Accounting for 65% value share of Almarai sales at a country level, Saudi Arabia remains the major contributor for sales of the Group. Full year revenue in the Kingdom dropped by 1% to SAR 10,223 million for 2021.

The UAE was the second-largest market for Almarai, representing 9% of its total sales, at SAR 1,381 million, also down 1% compared to 2020.

The slight drop in these core markets was offset by significant growth in non-GCC countries, which increased 34% overall in 2021. This positive result was driven mainly by growth in Egypt (+29%), Jordan (+39%) and exports (+69%) for the year.

	For the year ended 31 December				
	2021 SAR million	**2020 SAR million**	**2019 SAR million**	**2018 SAR million**	**2017** SAR million**
Operational Performance					
Revenue	15,850	15,357	14,351	13,558	13,936
Gross Profit	5,059	5,536	5,367	5,327	5,584
Operating Profit	2,015	2,522	2,473	2,521	2,583
Profit Attributable to Shareholders	**1,564**	**1,984**	**1,812**	**2,012**	**2,182**
Balance Sheet					
Net Working Capital	3,043	3,623	3,048	2,988	1,429
Property Plant and Equipment	20,873	21,113	21,951	21,978	22,402
Right of Use Assets	465	470	461	548	-
Biological Assets - Non Current	1,469	1,392	1,381	1,367	1,283
Intangible Assets and Goodwill	1,129	1,218	1,129	1,038	1,047
Investments in Associates and Joint Ventures	89	90	88	-	129
Net Debt	9,201	10,749	11,955	12,743	10,910
Total Equity	**16,618**	**16,234**	**15,259**	**14,463**	**14,881**
Total Assets	**31,754**	**32,344**	**33,148**	**32,783**	**31,896**
Total Liabilities	**15,136**	**16,111**	**17,889**	**18,320**	**17,015**
Cash Flow					
Cash Flow Generated from Operating Activities	4,915	4,203	4,732	3,669	4,614
CAPEX	(1,364)	(824)	(1,517)	(1,919)	(2,797)
Free Cash Flows*	**3,101**	**2,830**	**2,602**	**1,332**	**1,304**
Key Indicators					
EBIT to Sales	12.7%	16.4%	17.2%	18.6%	18.5%
Return on Net Operating Assets	7.4%	9.1%	8.9%	9.4%	10.5%
Net Debt to Equity Ratio	55.4%	66.2%	78.3%	88.1%	73.3%
EPS - Basic	1.59	2.02	1.83	1.98	2.13
DPS	1.0	1.0	0.85	0.85	0.75

* Net of Investments

** The amounts presented for the year 2017 is from the audited Consolidated Financial Statements of respective year.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Operating Review

From farm to table, Almarai is the world's largest vertically integrated dairy company, operating across the value chain and throughout the region. Starting in our world-class farms and facilities in the heart of Saudi Arabia, our diverse range of high-quality products are delivered to more than 100,000 customers within the Kingdom and across the GCC, Egypt and Jordan every day.

Our commitment to continuous consumer-focused improvements and innovation runs deep in our corporate culture and throughout our state-of-the-art production, processing and distribution operations, allowing us to provide nutritious dairy, juice, bakery and poultry products in thousands of shops, restaurants, hotels and schools and millions of consumers homes each year.

Production

We strive to produce quality and nutritious food and beverages that enrich consumers' lives every day

Processing

Innovating to develop nutritious products

Distribution

Optimizing use of supply chain network and efficiency to maintain smooth and timely delivery of products

Food Service

Retail

Home cooks and consumers

Consumers in and out of home channels
(hotel, restaurant, and catering)

Resulting in improved customization, precision, visual appeal, flavour, convenience and safety

Operating Review

Dairy

Since Almarai's establishment in 1977, our dairy products have remained at the heart of our business. Backed by an enduring commitment to quality, our extensive range of fresh dairy, long life dairy and dairy foods are known and loved across the region.

As the regional leader in the Dairy segment, Almarai continued to strengthen its leadership market position through 2021 despite the adverse effects of COVID-19 with year-on-year value share growth of 1.4% in dairy in the KSA. Core categories of laban, fresh milk and UHT milk also registered volume share growth during the year. Labneh was a standout segment in terms of performance with Almarai securing clear leadership in the KSA market.

Resilience in Action

Overall whilst the volume was softer in several segments in 2021 year over year due to significant base year impact, externally we were and are faced with a huge cost push which led Almarai to initiate mitigation measures to offset the significant increases in the material and freight costs including administration of strategic pricing adjustments in multiple markets.

Core dairy experienced softer demand owing to COVID-19 restrictions, slower re-opening of schools, subdued tourism and reduction in expat population. Despite this negative environment, Almarai continued to improve its value share position throughout the year versus the prior year.

A Robust Strategic Foundation

We maintained our unwavering commitment to quality and in further improving our core dairy offerings by delivering superior consumer ratings on milk, laban, zabadi and spreadable cheese segments versus the competitive set.

Additional growth measures resulted in the acceleration of our volume market share in under-indexed categories including labneh (+23%), milk powder (+4 %), plain UHT milk (+1.4%) and cheese square portions (+3.1%) in 2021.

This growth was complemented by robust expansion in new segments such as hummus and honey, as well as significant recovery in year-on-year growth for value added dairy products such as fresh flavored milk (+34%), fresh flavored laban (+25%) and Greek yoghurt (+17%).

Almarai Dairy in 2022

We will continue to strengthen our resolve to protect and grow core dairy segments in 2022 by sustained investments in product upgrades and broad availability whilst also accelerating our performance in select under indexed segments within Long Life and dairy foods. We will focus on building a robust innovation pipeline to deliver our ambition in the value added dairy portfolio and support further expansion of recently entered segments of hummus and honey.

Value Share of Saudi Market (Dec 21 MAT)

Market Share	Market Position
Laban: 64.6%	1
Fresh milk: 64.9%	1
Zabadi:61.2%	1
UHT milk: 21.4%	2

Total Dairy revenue for 2021 was **SAR 9,631 million** as compared with **SAR 9,476 million** in 2020.

Total Dairy Revenue (SAR million)

1.4%

share growth

New products in 2021

Butter with Olive Oil
Almarai Virgin Olive Oil
Mozzarella Cheese Dairy Recipe
Mozzarella Cheese Veg. Oil
Greek Yoghurt Style Mango
Lemon Twist Hummus
Almarai Condensed Milk
Swiss Cheese Jar

Operating Review

Juice

Almarai's extensive range of fresh and concentrate-based juices and nectars are a staple of retail shelves across the GCC, Egypt and Jordan. With more than 30 flavor varieties, including special varieties for children, we are a regional leader in terms of product range and quality.

Almarai has remained steadfast in the face of growing price competition in 2021, maintaining our strong and stable market share of 41%, whilst also leading sector-wide expansion in the premium segment through our Farm Select range, achieving a 30% growth in market share over the course of the year. Meanwhile, we doubled our market share in the Long Life segment to 4% to become the only brand to achieve volume growth in a declining category.

We continue to perform in line with the objectives of our strategy by gaining market share, driving household penetration above the competition, and securing growth across all targeted health brand indicators. However, we have also faced budget headwinds in 2021, including the rising cost of goods sold (COGS) and the sluggishness of the projected rebound in sales following the worst of the COVID-19 pandemic, as well as delays in the registration of new products for exemption from sugar taxes from the authorities in Oman.

Building on our Market Leadership

Notwithstanding negative market headwinds in 2021, Almarai remained focused on driving brand equity through perceptive media planning and an ROI-based promotion strategy. We continued to fine tune our portfolio through new innovations to capture additional market share, whilst driving down costs through recipe optimization and increased packaging efficiencies to enable growing reinvestment in the business.

Meanwhile, our route to market (RTM) capabilities supported considerable improvements in extra shelf display and positioning, ensuring the growing prominence of our products.

Almarai Juice in 2022

Almarai will continue to protect and grow our core fresh juice market share in 2022 to maintain our leadership position in this category going forward. With a focus on expanding our presence in the premium segment, and greater engagement in new product categories, to offer customers more choice and boost performance in this category.

1 Rank in KSA market

Key Performance Indicators

Juice Volume Shares	45.2%
Juice Value Share	45.4%
Household Penetration	79.2%
Household Frequency	13.7%

Total Juice revenue for 2021 was **SAR 1,510 million** as compared with **SAR 1,448 million** in 2020.

Total Juice Revenue (SAR million)

45%

Value share of Saudi market

New products in 2021

Mixed Fruit Pomegranate

Mixed Fruit Orange Carrot

Farms Select Mango Smoothie

Farms Select Berries Smoothie

Operating Review

Poultry

Almarai's poultry range, which offers fresh whole chickens and a variety of related value-added products, continues to dominate the Saudi market. This year, we continued to invest for the future and develop our brands, which are among the best known and most trusted in the Kingdom.

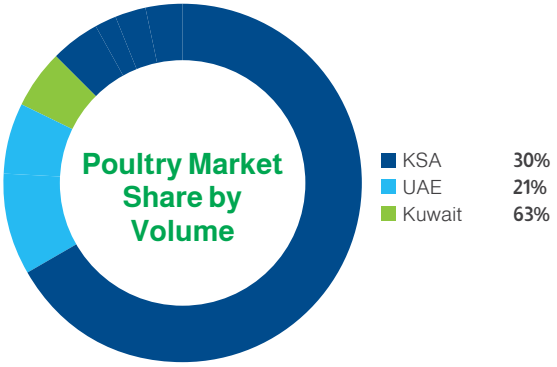
Almarai's strong poultry presence and brand equity were critical in providing resilience throughout the COVID-19 pandemic, acting as a springboard to growth as the market stabilized during 2021.

As of year end 2021, we maintained our leadership position in the Kingdom's fresh poultry segment across all retail channels, with a market share value of 32% double that of the second largest player in the segment while our ALYOUM brand continued to be the strongest in the market with a consumer awareness score of 81%.

As well as maintaining our prime position in our home market, we have successfully leveraged our strategic position in the region by consolidating our leadership in the main GCC markets, such as the UAE and Kuwait. At the end of 2021, we occupied the top positions in the Kingdom, the UAE and Kuwait in terms of market share volume at 30%, 21% and 63%, respectively.

Demonstrating our commitment to accelerating growth, and to supporting the food security and local content of the Kingdom, we announced our intention to double our capacity through SAR 6.6 billion in targeted investments over five years. The expansion will be implemented in several phases, which will include the development of production facilities to enable full vertical integration of our poultry supply. Our capacity will be expanded across different geographical regions of the Kingdom, in order to further enhance the biosecurity and resilience of our Poultry business.

The implementation of further supply and production efficiencies, backed by our robust distribution channels, has also positioned us well to capitalize on increased stability in the food service channel. This approach has contributed to the consistent performance of Almarai Poultry in 2021, achieving 17% volume growth in Foodservice compared to 2020.



Total Poultry revenue for 2021 was

SAR 2,301 million

as compared with

SAR 2,293 million in 2020.

Total Poultry Revenue (SAR million)

81%

Consumer awareness score

Operating Review

Poultry (continued)

ALYOUM Brand Performance Indicators

Delivering Growth as a Market Leader

Almarai's core strategy to grow our fresh poultry across the GCC's retail space by maximizing volumes and margins has paid healthy dividends in the segment, despite the negative market headwinds in 2021.

This approach has been complemented by further optimization and efficiency gains throughout our production and distribution chains. This included process automation to maximize returns on every bird sold, whilst ramping up our volumes supplied to the food service channel through an increasingly diversified portfolio.

Hence, despite cost increases, reductions in subsidies and intense competition in retail channels putting added pressure on our bottom line, fresh poultry volumes have grown consistently throughout the year, resulting in growth compared to our pre-COVID-19 performance in 2019.

Driving Recovery in the Foodservice Segment

Foodservice has become a strong growth engine for Almarai's Poultry unit and a key pillar of the Company's expansion plans. Today, Almarai is recognized by our Customers and partners as "Best reliable supplier" for its exceptional service and expansive portfolio.

After a difficult 2020 for the food service industry – characterized by movement restrictions that limited growth and consistency in the development of our Foodservice business – we succeeded in successfully reactivating this strategic channel to deliver 22% growth in value.

Almarai Poultry in 2022

Almarai will continue to target retail growth in the Poultry segment in 2022, leveraging our ability to deliver a consistent supply to our customers and consumers, whilst also driving forward our optimization and efficiency programmes to streamline production.

We remain firmly on track to meet our expansion targets to secure stronger growth across all channels, as well as continuing to enhance and streamlining our operations to meet the evolving market requirements.

New products in 2021

Marinated Whole Chicken Tandoori
Marinated Whole Chicken Smoked Barbecue
Marinated Half Chicken Smoked Barbecue
Marinated Half Chicken Kabsa

Operating Review

Bakery

Almarai's popular Bakery Brand L'usine, features a range of savory and sweet baked goods, while our 7DAYS brand – in which we have increased our investment this year, offers a wide variety of croissants, cakes, strudel and bake rolls. Both brands are easily available for consumers to enjoy across the GCC markets

Almarai remains the top manufacturer of bakery products for the Saudi market, with a value share of 53% (MAT '21), outperforming our closest bakery competitor by 10 times. Similarly, our brand health indicators are well above other bakery players.

Our out-of-home consumption categories continued to face challenges in early 2021 due to school closures and other constraints. However, in the second half of 2021, as the COVID-19 restrictions started to ease and consumers began to venture out, we saw a rebound in performance of our out-of-home categories. This was further supported by the return of large events like different Saudi Seasons festivals. We started investing heavily in advertising to ensure we remained at the top of consumer's mind.

We continued to invest in our bakery business and increased our stake in 7DAYS parent company MFI, by an additional 15% through an investment of SAR 150 million. We also completed the acquisition of Bakemart in 2022, in the UAE and Bahrain, as part of a Foodservice growth drive and to expand our bakery product offering.

Enhancing our Product Range in 2021

Almarai also embarked on a journey to harmonize the complete L'usine range packaging in 2021, to give it consistency and distinct differentiation on-shelf from its competitors. We also enhanced the eating experience of several of our current products like premium puffs and butter croissants which grew by 33% in volume in 2021.

Other initiatives included the re-introduction of the half loaf for our value-added breads range, and the expansion of our butter croissant range with 2 exciting options – zaatar and biscuit cream filling, potato rolls, brioche bread and burger buns and blueberry muffins. We also introduced extended shelf-life breads to drive volume in export markets. New products in the 7DAYS range included double layered mini croissants, a bigger pouch pack of mini croissants for sharing, double vanilla Swiss rolls and bake rolls in cheese flavor.

Our broad strategy in 2021 remained the same, that is to drive penetration to grow our user base by converting people from unpackaged to packaged bakery across categories.

Performance of our single serve offerings from both brands improved significantly in 2021 whilst our core products, such as sliced bread and burger buns, which delivered unprecedented volume growth in 2020 on account of national lockdowns, began to normalize in 2021.

Almarai Bakery in 2022

Being the market leader in the KSA, we will continue to grow the different categories we operate in by driving penetration, ensuring we continue to improve our mind measures through effective communication, continue to launch relevant products for our consumers, capitalize on the ease of restrictions and build on-the-go consumption for our snacking categories and grow our business in the Gulf markets.

Total Bakery Revenue (SAR million)

New products in 2021

L'usine butter croissant range extension
L'usine extended shelf-life bread
L'usine muffin flavor extension
L'usine cluster roll extension
L'usine Brioche Range
7DAYS swiss roll flavor extension
7DAYS mini croissant range extension
7DAYS bake roll flavor extension

COVID-19 Impact and Response

Almarai once again demonstrated its strength and resilience in responding with pride and purpose to the ongoing impacts of the COVID-19 pandemic in 2021, reinforcing our strong relationship with all our stakeholders that has been built over decades of delivering 'Quality you can trust'.

Our Employees

- Stringent health and safety measures throughout Almarai locations to reduce infections and keep our employees safe
- Onsite vaccinations available to quickly vaccinate employees and achieve vaccination rate of over 95% by year end
- Flexible approach for employees trapped overseas, applying remote work to minimize disruption
- Regular Crisis Management Team meetings including all division heads to quickly address issues and facilitate effective communication to our employees

Our Customers

- Manufacturing and Farming sites remained in full lockdown during the pandemic to maintain our commitment to delivery and safety
- SKUs rolled back to prioritize the core categories throughout the period
- Pandemic Preparedness Certification provides employees and Customers with confidence that Almarai is committed to establishing and maintaining best practices to mitigate the impact of COVID-19

Our Suppliers/Partners

- Strict measures in place for drivers entering manufacturing sites
- Achieved Pandemic Preparedness Certification from AIB, reassuring suppliers and partners and giving Almarai a competitive edge

Our Community

- Ensured continuity of high quality and safe products across the Kingdom and markets
- Provided onsite vaccines for family members of employees
- High vaccination rate of our employees helped reduce spread in the community

Our Shareholders

- Virtual communications with investors, analysts and other key stakeholders
- Virtual AGM conducted
- Digitization to 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 and reducing costs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Almarai

Risk Management

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.

Internal Control Participants

Senior Management and oversight

Senior Management is 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).

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'.

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.

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 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. The 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.

Internal Audit Department independently follows up to ensure gaps are closed as expected

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 and Sustainability (QRHSS&S)
- Manufacturing
- Farming
- Sales Distribution and 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 is up to date
- An intranet providing standardization and governance documents that allow staff within Almarai's financial and non-financial community to stay abreast of Almarai's internal control and quality best practices
- 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

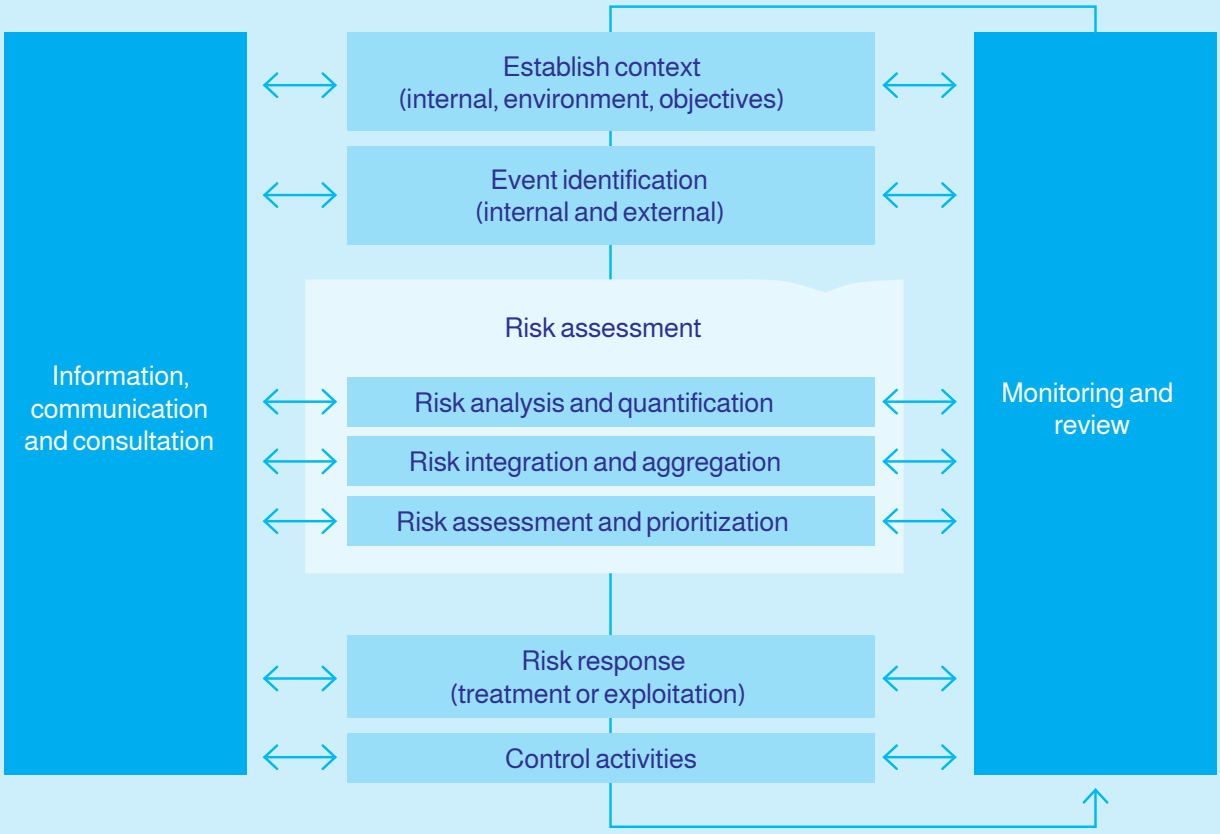
Almarai has developed a methodology to manage potential business risks. This is aligned with recognized industry standards and best practices, based on: the COSO Enterprise Risk Model – Integrated Framework; and ISO 31000:2009, Risk Management – Principles and Guidelines.

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.

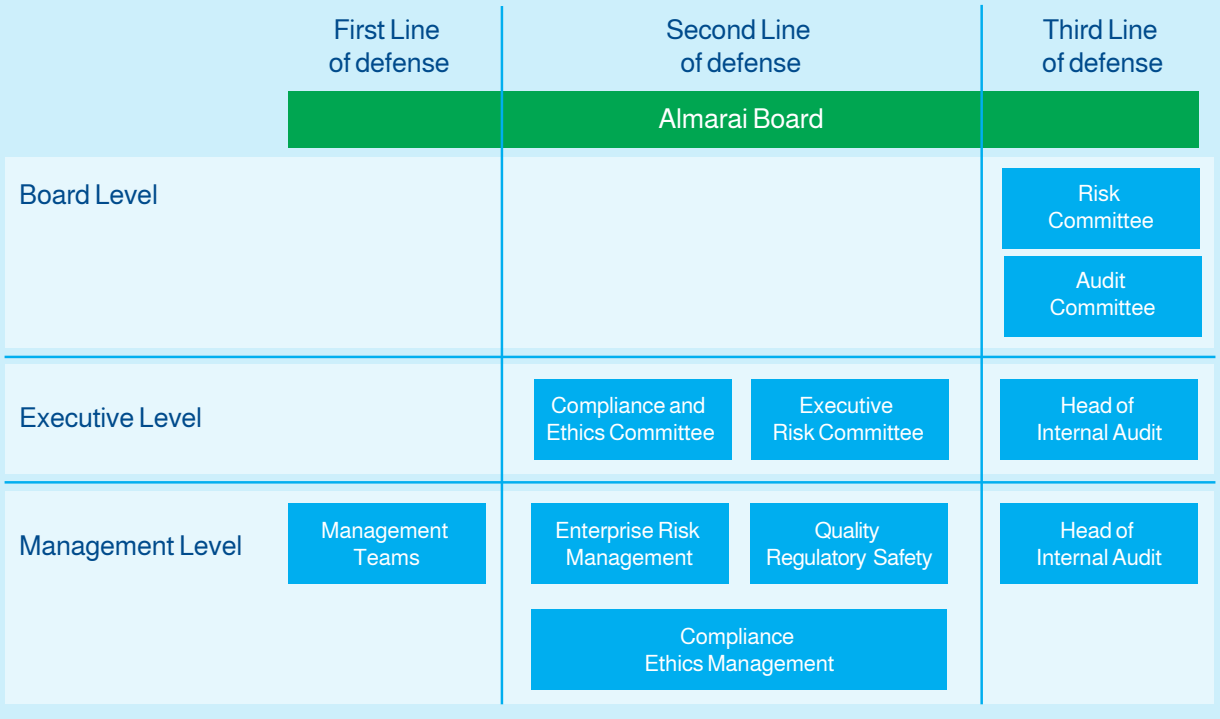
ISO process defined
3100:2009

Almarai Risk management process



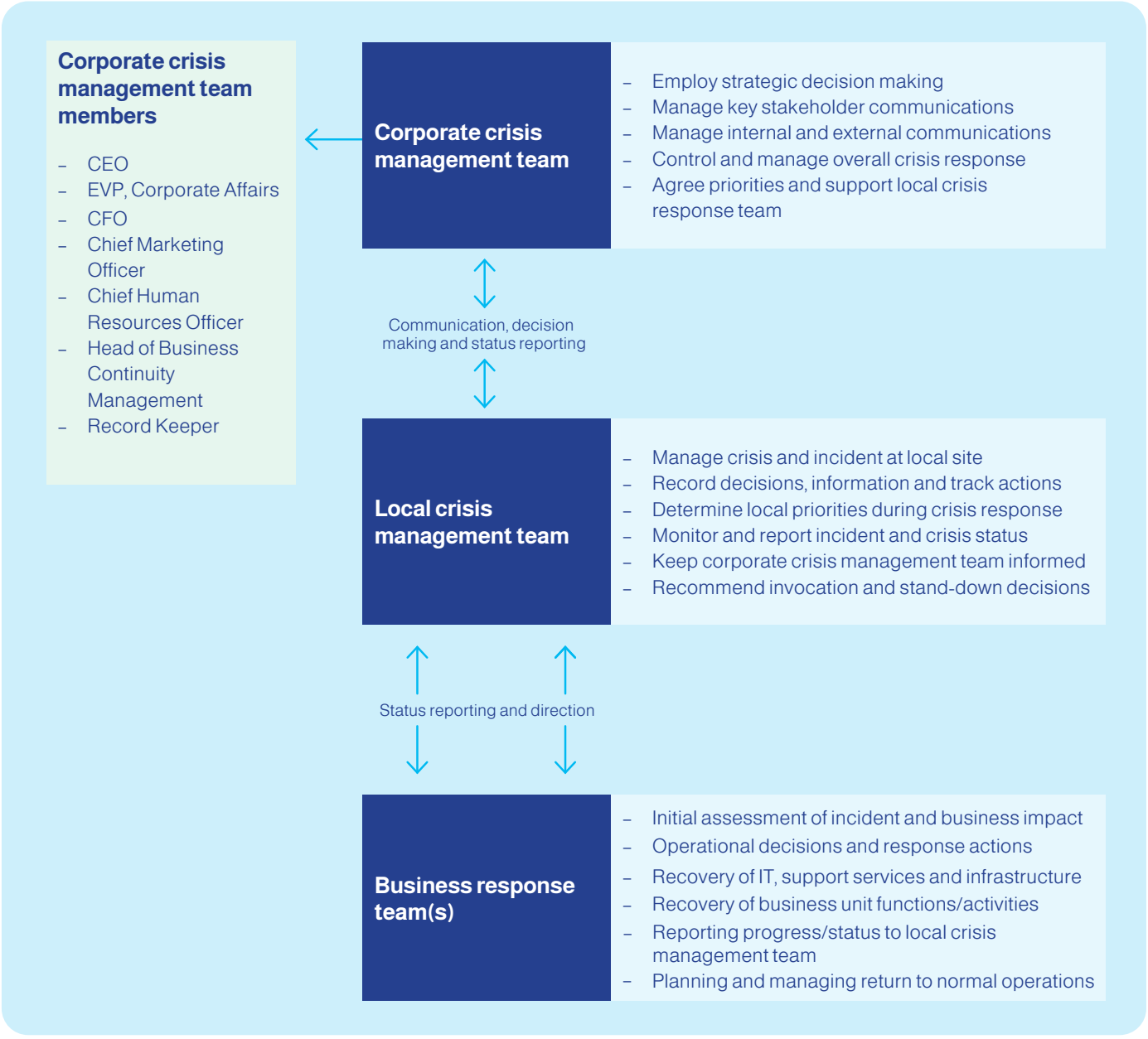
Risk Governance model

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.



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.

Since 2011 Almarai has used social media

People and Culture

Almarai takes pride in providing a safe and supportive working environment for their quality makers. What drives it to do so is their strategic objective, which revolves around recognizing Almarai as a leading employer of choice in the industry and the broader region.

Almarai's internal culture reflects strong commitments to their quality makers by supporting their progress and skills development within a vibrant and innovative workplace that will result in showing a progressive value both for their quality makers and the business.

By the end of 2021, Almarai's employee retention rates are expected to reach 88.7% through its comprehensive programme of employee development and satisfaction initiatives, guided by the goals of its WE@Almarai strategy.

WE@Almarai is the culture driver in Almarai. It sets all the quality makers on one single path to greatness. WE was established by Almarai, in a move to recognize the importance of engaging the employees and keeping them satisfied.

WE@Almarai has four pillars derived from the Almarai brand values that promises to strengthen the Company's culture, engage employees and empower them across the organization.

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, wellbeing 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, and internal festivities.

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

WE Care	WE Evolve	WE Empower	WE Celebrate
+1,200	+60	+80	+460

A collaborative approach based on clear deliverables and measurable results enabled Human Resources and Support Services in 2021 to attract and retain quality makers through centralization and process optimization; the expansion of female employment and an effective management of the workforce requirements during the COVID-19 pandemic.

With the implementation of SuccessFactors Employee Central module in 2021, Almarai is achieving an important milestone in its digital transformation journey. SAP SuccessFactors Employee Central is a flexible, global core HR solution that supports core HR processes and employee self-services for all employees. It enables the organization to increase productivity with an HRIS system that automates processes and provides employee self-service HR tools. Employee Central module offers automated HR workflows and intelligent services to enable the Company to manage HR processes, not just transactions. In addition, business processes can be implemented more smoothly across the HR domain for improved insight, strategic decision-making, and, ultimately, better business performance, by leveraging new technologies, and we have become more efficient and standardized the HR processes.

28%
Saudization

Supporting our people through the COVID-19 pandemic

With a focus on employee safety and wellbeing throughout 2021, Almarai implemented organizational restructuring, offered flexible working arrangements, and capitalized on technological advancements to provide more quality experiences and upskilling opportunities.

Although Almarai's business requires our employees to be physically present most of the time, we continue to offer hybrid working models utilizing tools such as Microsoft Teams for our office staff. Through these efforts, we also saw an increase in employee retention and satisfaction during 2021.

Our year in numbers:

- **40,213*** Almarai quality makers
- **8,651** Saudi nationals
- **3,810** new hires in 2021
- No. of learners **2,823**
- No. of digital learning hours **81,319**

*Total HC that covers KSA, GCC, IDJ, and Fondomonte entities of Almarai Company.

A leader in workplace accessibility

Almarai is a certified Gold Member of the Mowaamah programme, which recognizes the highest standards and practices in establishing a working environment that is welcoming and accessible to people with disabilities. We are also a certified Gold and Founder member of the Qadeeron network, which also advances inclusivity in the workplace for people with disabilities.

Training and developing our people

We aim to provide an enriching environment for all of our people that supports their personal and professional development, regardless of job role or business unit. Our flagship Almarai Academy, and on-the-job training programmes offer continuous learning opportunities across the Company at all levels, from farming and transport to manufacturing and warehouse operations.

Having embarked on a two year process to centralize our learning function, Almarai continues to achieve training efficiencies by bringing transferable skills development under one umbrella. Almarai Academy has already succeeded in initiating cross divisional training, delivered online, to develop skills such as emotional intelligence, problem solving, finance for non-finance practitioners and situational leadership. To date, 840 participants have benefitted from this approach through a total of 8,460 learning hours.

Almarai Academy

The Almarai Academy provides leadership development for Company employees at all management levels, identifying and nurturing the skills of the leaders of tomorrow to prepare them for greater future responsibilities.

The Academy offers a range of programmes from junior leadership schemes – such as the Foundation of Personal Leadership – through more advanced senior leadership talent development initiatives delivered in collaboration with international business schools.

In 2021, the Academy conducted all of its leadership development programmes online, in conjunction with GCC and European educational institutions, providing skills for more than 400 Managers over the course of a total of 33,975 learning hours.

8,460
Learning hours

Almarai also partners with the Food Industries Polytechnic to provide workplace training for Saudi nationals undertaking skills development programmes in the food sector that are fully accredited by the Education and Training Evaluation Commission (ETEC).

Training is delivered via a six month rotation scheme that allows participants to experience a variety of different roles, improving employee exposure to new opportunities and encouraging knowledge transfer between colleagues and teams. Since 2011, FIP has delivered training to 1,920 Saudi employees at Almarai, and has achieved an average course satisfaction rate of 89% since 2019.

Almarai Co-Op and Almarai Club

Almarai continues to support the Co-op trainees joining from different universities locally, as one of the Company's social responsibility initiatives and it is one of Almarai's tools to attract new local employees.

Rewarding success and dedication

We operate a broad programme of incentives and rewards to inspire and celebrate the achievements of Almarai staff, with a view to attracting, motivating and retaining talent in all aspects of our business.

Almarai's Compensation Strategy

Internal equity: Almarai believes in fairness and equity in remuneration, based on role, performance, geographic location and working conditions.

External competitiveness: we consistently participate in annual market-wide remuneration surveys to periodically review pay levels and policies and ensure fair compensation.

Performance: we reward our employees based on their individual performance and contribution to business results.

Almarai's performance-based variable compensation and incentive plans include: monthly/quarterly sales incentives for front-line employees; annual performance bonuses for achievements related to business targets for grades up to M3 (middle management); and annual short term incentives (STIs) for employees in senior management grades (M4+) achieving significant progress toward the realization of corporate and business targets.

We also operate a Long Term Incentive (LTI) plan to boost management-level employee retention, comprising a Stock Option plan with a three year vesting period.

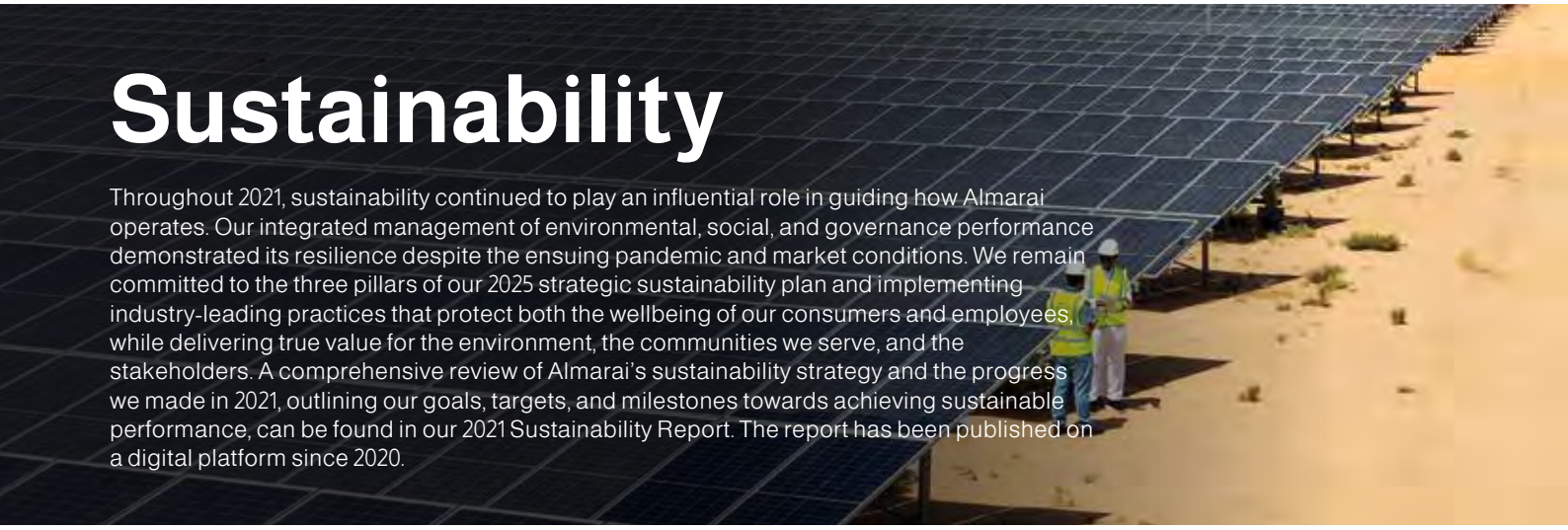
Fostering a digital culture

Almarai continues to enrich the employee experience through a range of digital engagement platforms, including internal infrastructure to enable quick and efficient communication between our staff and the HR department, as well as the WE@ Almarai Mobile App, which serves as a key employee touchpoint that places internal services at our people's fingertips. These platforms are complemented by our employee relations WhatsApp service that allows us to receive and respond to queries and suggestions from our staff.

Looking Towards 2022

Almarai always strives to embrace continuous improvement targeting an incremental employee retention, talent attraction, seamless HR services, healthy organizational culture and employee work life balance. Focus during 2022 and beyond is towards:

- HR functions centralization projects, aiming for more standardization and higher efficiency.
- Digitization and automation of services.
- The revision and introduction of total rewards strategy.
- Work patterns flexibility.

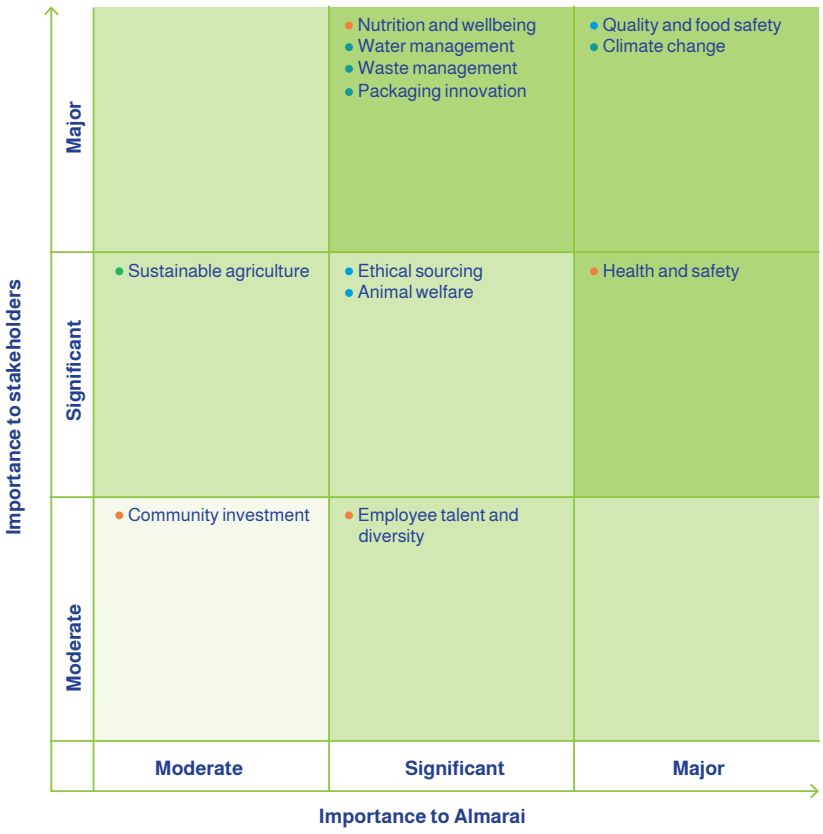


Sustainability

Throughout 2021, sustainability continued to play an influential role in guiding how Almarai operates. Our integrated management of environmental, social, and governance performance demonstrated its resilience despite the ensuing pandemic and market conditions. We remain committed to the three pillars of our 2025 strategic sustainability plan and implementing industry-leading practices that protect both the wellbeing of our consumers and employees, while delivering true value for the environment, the communities we serve, and the stakeholders. A comprehensive review of Almarai's sustainability strategy and the progress we made in 2021, outlining our goals, targets, and milestones towards achieving sustainable performance, can be found in our 2021 Sustainability Report. The report has been published on a digital platform since 2020.

Materiality

Almarai conducted a formal materiality assessment in 2019 that engaged both internal and external stakeholders to identify material environmental, social, and governance issues that are most relevant to the organisation. During 2021, Almarai initiated review of the identified and other relevant material issues to ensure their relevance; the results will be available in 2022. In addition, Almarai continued to monitor identified material issues, programs, and progress to ensure we remain on-track to deliver on our committed goals.



Pillar theme key:

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

Sustainability framework

Almarai's sustainability framework has proven 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 summarises what sustainability means for Almarai. It identifies areas that we endeavour to continually improve upon to ensure a more inclusive, resilient and successful business.

Better every day

Almarai believes the world can be a better place if we are all committed to doing better every day. By living up to our committments, we can make positive changes that support a better tomorrow.

Our commitments

Caring for people

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

Protecting the planet

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

Producing responsible products

Our promise to deliver "Quality you can trust" and enhance supply chain sustainability 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 2021

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:

Philanthropy programme for winter blankets

Almarai launched a campaign to give winter blankets to families in need in the Al-Qassim region in cooperation with the Al-Bada'a Charity Association. The initiative is part of the Company's winter campaign that distributes blankets and food baskets to families in need in various Kingdom regions.

Free tablets for the Learn From Home initiative

Almarai participated in the Learn From Home initiative launched by the Governor of Riyadh, His Royal Highness Prince Faisal bin Bandar bin Abdulaziz that is aimed at supporting public education students with limited income. The Company donated SAR 100,000 to buy 500 tablets for students in Al-Kharj to help them have a better educational experience.

Oral and Dental Health Awareness campaign

Almarai launched its annual oral and dental health awareness campaign at a ceremony held at Al-Izdihar Hall in Riyadh to educate the community about the importance of oral and dental health, and its effects on the individual's general health. The campaign also provided methods on how to maintain a healthy life.

The campaign is conducted annually in cooperation with King Saud University and Princess Noura University through a partnership that has lasted for more than seven years.

Free products for charitable organizations

Almarai donated more than 16,000 products to many charitable organizations across the Kingdom. The beneficiary organizations include Cancer Patients Care Society in Al-Madinah, Al Ber Association in Mughaira, Villages Association in Ashwaq, Al Ber Association in Sharurah, Sawab Association in Jazan, and Saay Association for Widows, Divorcees, and Prisoners' Families care in Rabigh, among others.

The Company launched its charitable support programme within the institutional citizenship initiatives with the aim to provide families in need with food. The programme offers more than half a million free products every year, in association with around 300 charitable organizations.

Food baskets to Autism Families Association

The Company distributed food baskets to 11 charitable organizations across the Kingdom. The beneficiary associations were : Al-Ber Charity Association in Al-Yatimah in Madinah Al-Munawwarah, The Family Development Association in Hail, The Saudi Autism Society in Riyadh, Baraem Nomou Center in Dammam, The Comprehensive Rehabilitation Center of Excellence, and Al-Shallal Center in Jeddah.

Blood donation campaign

Almarai sponsored Al-Ahsa public campaign for blood donation organized by the Association of Facilitate Marriage and Family Care in Al-Ahsa. The campaign affirms the Company's belief in being a responsible citizen and raising awareness on the importance of donating blood to save lives.

Anti-smoking campaign

Almarai sponsored the anti-smoking campaign rolled out by Saudi Arabian charity Naqa (Purity) under the tag line "Live it Pure" in the Eastern Province of Saudi Arabia.

The campaign was aimed at raising public awareness of the health and social impacts of smoking, and to promote a healthy and balanced lifestyle.

Protecting the Planet:

ESG policies and positions

Almarai drafted and finalized a total of nine ESG policies and positions, and began their implementation throughout relevant parts of the business: (1) Environmental Policy; (2) Ethical Sourcing Policy; (3) Animal Welfare Policy; (4) Climate Change Position Statement; (5) Community Investment Policy; (6) Human Rights Policy; (7) Responsible Marketing Policy; (8) Water Position Statement; (9) Environmental Impacts of Packaging Position Statement.

World Quality Month - Sustainability

In November 2021, Almarai participated in the Sustainability-themed World Quality Month celebration by engaging with employees in all divisions, raising awareness about the importance of caring for people, protecting the planet, and producing responsible products.

EcoChar Gasification

Almarai commissioned and began operations of EcoChar Gasification plant at HADCO in Hail. The plant will help reduce waste going to landfill and produce a carbon-rich product by heating biomass in a closed container in an oxygen-starved

environment. The final product consists of high phosphorus, potassium, magnesium, and carbon, can hold moisture up to 2.5 times its volume, has superior nutrient-retention properties, and improves soil stability. EcoChar can increase the crop yields and boost the agriculture. In addition, it also has a variety of other uses, such as animal feed supplements, bedding, and use as a water filtration medium.

Producing Responsible Products:

Almarai Manufacturing Facilities achieved FSSC 22000, a Food Safety certification

Almarai achieved the Food Safety certification according to FSSC 22000, a standard recognized by the Global Food Safety Initiative (GFSI), an alliance of world-leading consumer goods companies to ensure safe food for all. The certification demonstrated the Company's reinforced commitment to providing world class food and beverage products, even under the most challenging circumstances.

Engagement with stakeholders

We endeavour to maintain an active dialogue with stakeholders on a continual basis, whether consumers or investors, employees, regulators, or 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.

GOVERNANCE


المراعي
Almarai

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 bin Abdullah Al Issa
Managing Director

Mr. Ammar bin Abdulwahid Alkhudairy
Director

Mr. Peter Amon
Director

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

Mr. Saad bin Abdulmohsen Al Fadly
Director

Mr. Sultan Abdulmalik Al Sheikh
Director

Mr. Waleed bin Khalid Fatani
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.

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, Tarabot Investment and Development Company, 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 and others. Bader is a CFA charter holder and holds a BA in Economics from University in Virginia and an MBA from Rice University in the United States.

Mr. Ammar bin Abdulwahid Alkhudairy, Director

Ammar Alkhudairy is the Chairman of the board of the Saudi National Bank the merger of Samba Financial Group and National Commercial Bank. Before the merger he served as the Chairman of Samba Financial Group since January 2019. Prior to Samba, he played key leadership roles in various Saudi financial institutions such as Riyad Bank, United Saudi Bank, and Banque Saudi Fransi. In addition, Alkhudairy served as a Board Member at Banque Saudi Fransi and Chairman of the Audit Committee from 2015 to 2018. 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 chairs Amwal AlKhaleej and Amwal Capital Partners, an alternative assets' management business based in Riyadh, and in DIFC, UAE. He also served as a director in government related entities, including the Economic Cities Authority. Alkhudairy earned a M.Sc. in Engineering Administration and B.Sc. in Civil Engineering from George Washington University.

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.

HH 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 30 Export Company, Ltd. Prince Saud joined Almarai in a role within the marketing department following two years of working at Banque Saudi Fransi.

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.

Mr. Sultan Abdulmalik Al Sheikh, Director

Mr. Sultan Abdulmalek Al-Sheikh is a Senior Director - Head of Financial Institutions Sector at the MENA Investments Division at the Public Investment Fund of Saudi Arabia (PIF). Mr. Al-sheikh joined PIF in 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 Saudi Real Estate Refinance Company. He was also a Board and

Committee member of The Helicopter Company (ended 31 Jan. 2021), Saudi Fisheries Company (ended 24 Oct 2020). Al-Sheikh was an Executive Committee member at the Saudi Telecom Company (April 2021). 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 18 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.

Mr. Waleed bin Khalid Fatani, Director

The CEO of Savola Group. He also held Saudi Fransi Capital CEO (from June 2015 till 31 December 2020). He worked as the Group Treasurer of Abdul Lateef Jamil and Capital Markets & Investment Advisor to the President from June 2013 to June 2015. He was also the General Manager of Deutsche Bank KSA from May 2011 to June 2013. Additionally, he started his career with Banque Saudi Fransi in 1994. He was the Head of Group Treasury and was a member of several executive committees to develop and follow up the Group's treasury strategy. Mr. Waleed has over 26 years of banking, financial and investments experience, and his career has given him vast experience across various business sectors and the financial services sector. He holds a bachelor's degree of science in accounting from California State University (1993).

Executive Management

Abdullah Al Bader,
Chief Executive Officer

Abdullah Al Bader was appointed as Chief Executive Officer in March 2021. Prior to being appointed to this position, he held several roles across the Company such as Executive Vice President for Bakery in Almarai's leading L'usine and 7DAYS 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 of 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 and Leaf and Cloetta where, in addition to being Group CFO, he also 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 from Uppsala University, Sweden.

Fahad Mohammed Aldrees, Chief Human Resources Officer

Fahad Aldrees joined Almarai in 2006 and was appointed as Chief Human Resources Officer in March 2021. During 15 years at Almarai, Fahad has worked in several capacities from manufacturing to distribution and sales. Most recently, he occupied the Head of Human resources services. Fahad holds a Bachelor of Arts in English Language and completed specialized courses in Human Resources from the University of Michigan,USA.

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 of Marketing from the University of Salford, UK.

Fawaz Aljasser, Executive Vice President – Bakery

Fawaz Aljasser was appointed as Executive Vice President for Bakery in March 2021. He is the previous 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 responsibilities span over branding, product and packaging innovation and development, corporate communications and public relations and marketing services. Since joining Almarai in 2003, he held several positions across the Company, including 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, a Postgraduate Certificate in Food Safety and Security from Queens University Belfast, as well as a Master of 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 Almarai's 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 in 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 merchandising. 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 of Chemical Engineering from Imperial College, UK, and holds a Master of Business Administration 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 of Industrial Engineering from the University of Oklahoma, USA.

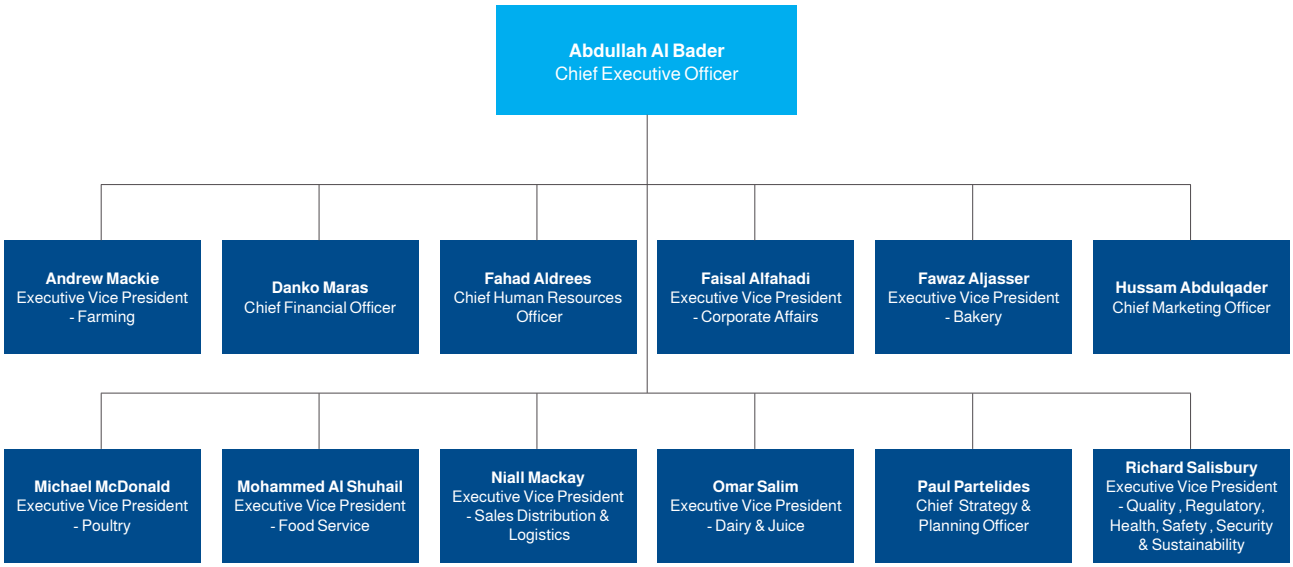
Paul Partelides, Chief Strategy and Planning Officer

Paul Partelides is the Chief Strategy and Planning Officer for Almarai, leading the Company's Strategic business unit with responsibility for strategy and mergers and acquisitions (M&A) for existing and new businesses and markets. Prior to joining Almarai, Paul was Director of Global Strategy and Development at INVISTA where he was responsible for growing the international scope of the business both organically and via M&A. Paul holds a Master of Business Administration 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, 19 announcements were made to shareholders. The following table summarizes the announcements by date, type and subject.

No.	Date	Announcement Type	Title of Announcement
1	3 January 2021	Notice to Shareholders	Almarai Company announces the resignation and appointment of a board member
2	24 January 2021	Financial Results	Almarai Company announces its Annual Consolidated Financial Results for the year ended 31 December 2020 (12 months)
3	4 March 2021	Notice to Shareholders	Almarai Company announces the appointment of the new CEO of the Company
4	16 March 2021	Notice to Shareholders	Almarai Company announces the acquisition of 100% Shares in Bakemart UAE and Bakemart Bahrain
5	22 March 2021	Invitation to EGM	Almarai Company invites its shareholders to the Extraordinary General Assembly Meeting (The First Meeting) by means of modern technology
6	23 March 2021	Invitation to EGM	Addendum Announcement from Almarai Company regarding the invitation to the Extraordinary General Assembly Meeting (The First Meeting) by means of modern technology
7	4 April 2021	Invitation to EGM	Almarai Company invites its shareholders to The Extraordinary General Assembly Meeting (The First Meeting) by means of modern technology (Reminder Announcement)
8	8 April 2021	Electronic Voting of EGM	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)
9	11 April 2021	Financial Results	Almarai Company announces its Condensed Consolidated Interim Financial Results for the period ended 31 March 2021 (three months)
10	13 April 2021	Financial Results	Addendum announcement from Almarai Company in regards to Condensed Consolidated Interim Financial Results for the period ended 31 March 2021 (three months)
11	14 April 2021	Notice to Shareholders	Almarai Company announces the results of The Extraordinary General Assembly Meeting (The First Meeting)
12	3 May 2021	Notice to Shareholders	Almarai Company announces investments of SAR 6.6 billion to further expand in Poultry segment
13	9 May 2021	Notice to Shareholders	Almarai Company Announces that one of its subsidiaries has acquired an Additional Stake in Modern Food Industries ("MFI")
14	2 June 2021	Notice to Shareholders	Almarai Company announces the acquisition of Binghatti Beverage's Production Facility in the UAE
15	11 July 2021	Financial Results	Almarai Company announces its Condensed Consolidated Interim Financial Results for the period ended 30 June 2021 (six months)
16	10 October 2021	Financial Results	Almarai Company announces its Condensed Consolidated Interim Financial Results for the period ended 30 September 2021 (nine months)
17	15 November 2021	Notice to Shareholders	Almarai Company announces the completion of the acquisition of Binghatti Beverage's Production Facility in the UAE
18	15 December 2021	Notice to Shareholders	Almarai Company announces plan to enter Branded Local Beef Category
19	15 December 2021	Notice to Shareholders	Almarai Company announces the distribution of cash dividend for 2021

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

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	Under Liquidation
Almarai Construction Company Limited	Saudi Arabia	Dormant
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Under Liquidation
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Under Liquidation
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
Hail Agricultural and Livestock Production Company Limited	Saudi Arabia	Under Liquidation
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	Under Liquidation
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company
Premier Food Industries Company L.L.C	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 W.L.L	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
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.	UAE	Trading Company
International Dairy and Juice (Dubai) Limited	UAE	Liquidated
BDC international L.L.C.	UAE	Operations Management
Almarai Company Drinks Manufacturing LLC	UAE	Manufacturing Company
Fondomonte Holding North America L.L.C.	US	Holding Company
Fondomonte Arizona L.L.C.	US	Agricultural Company
Fondomonte California L.L.C.	US	Agricultural Company
Hayday Farm Operation L.L.C.	US	Agricultural Company

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

represent the portion of profit or loss and net assets not dominated or controlled by the Group and are presented separately in the Consolidated Income Statement and Balance Sheet. The following table sets out the subsidiary companies' names, business activity, functional currency, ownership interest, share capital and number of shares issued. There are no shares or debt instruments issued to any of these entities.

Effective Ownership Interest			
2021	2020	Share Capital	Number of Shares Issued
100%	100%	SAR 1,000,000	1,000
100%	100%	SAR 200,000,000	20,000,000
100%	100%	SAR 1,000,000	1,000
100%	100%	SAR 1,000,000	1,000
100%	100%	SAR 1,000,000	1,000
52%	52%	SAR 25,000,000	250
100%	100%	SAR 300,000,000	30,000,000
100%	100%	SAR 1,000,000	1,000
100%	100%	SAR 500,000	500
100%	100%	SAR 41,000,000	410,000
75%	60%	SAR 70,000,000	70,000
100%	100%	SAR 3,000,000	3,000
100%	100%	SAR 200,000,000	200,000
94%	94%	SAR 46,500,000	465,000
100%	100%	SAR 500,000	50,000
100%	100%	SAR 10,000	100
100%	100%	ARS 5,097,984	5,097,984
100%	100%	ARS 2,211,988,598	2,211,988,598
100%	100%	BHD 100,000	1,000
100%	99%	BHD 34,450,000	344,500
52%	52%	BHD 250,000	2,500
52%	52%	USD 7,583,334	7,583,334
52%	52%	EGP 3,233,750,000	323,375,000
52%	52%	EGP 3,802,366,670	380,236,667
52%	52%	EGP 2,000,000	2,000
100%	100%	INR 2,750,680	275,068
100%	100%	GBP 5,769,822	5,769,822
52%	52%	JOD 500,000	500,000
52%	52%	JOD 750,000	750,000
52%	52%	JOD 250,000	250,000
52%	52%	JOD 500,000	500,000
52%	52%	JOD 21,935,363	21,935,363
90%	90%	OMR 150,000	150,000
100%	100%	OMR 20,000	20,000
100%	100%	EUR 138,505,946	138,505,946
100%	100%	SDG 100,000	100
100%	100%	AED 300,000	300
-	52%	USD 22,042,183	22,042,183
100%	100%	AED 200,000	200
100%	100%	AED 250,000 (Unpaid)	100
100%	100%	USD 500,000	50,000
100%	100%	USD 500,000	50,000
100%	100%	-	-
100%	100%	-	-

Share Price and Shareholder Information

Almarai Shareholdings

As of 31 December 2021, Almarai had 59,495 shareholders. Corporate investors represent 71.2% of the total share ownership, while individual investors represent 28.8%

There are 33 shareholders owning one million or more shares in Almarai, representing 89.0% of the issued shares. The following tables provide an overview of Almarai's investors:

	31 December 2021		
Almarai Investors according to Nature of Investors	**Percentage of Ownership**	**Number of Investors**	**Number of Shares**
Corporate investors	71.2%	532	711,753,583
Individual investors	28.8%	58,963	288,246,417
Total	**100%**	**59,495**	**1,000,000,000**

	31 December 2021		
Almarai Investors according to Nationality	**Percentage of Ownership**	**Number of Investors**	**Number of Shares**
Saudi	95.1%	57,709	950,624,430
Other nationalites	4.9%	1,786	49,375,570
Total	**100%**	**59,495**	**1,000,000,000**

	31 December 2021	
Almarai Investors according to Investor Type	**Percentage of Ownership**	**Number of Investors**
SAVOLA Group	34.5%	1
HH Prince Sultan bin Mohammed bin Saud Al Kabeer and related entitites	23.7%	1
Governmental and quasi-governmental institutions	22.8%	6
Other individuals	9.5%	58,962
Mutual Funds	3.0%	135
Companies	1.3%	69
Swap agreements	0.1%	10
Other Corporate	5.1%	311
Total	**100%**	**59,495**

	31 December 2021	
Almarai Investors according to Size of Ownership	**Percentage of Ownership**	**Number of Investors**
One million shares and more	89.0%	33
From 500,000 to less than 1,000,000	1.7%	25
From 100,000 to less than 500,000	3.2%	157
From 50,000 to less than 100,000	0.9%	132
From 10,000 to less than 50,000	1.8%	898
From 5,000 to less than 10,000	0.6%	879
From 1,000 to less than 5,000	1.5%	8,850
Less than one 1,000 shares	1.3%	48,521
Total	**100.0%**	**59,495**

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 2021, 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:

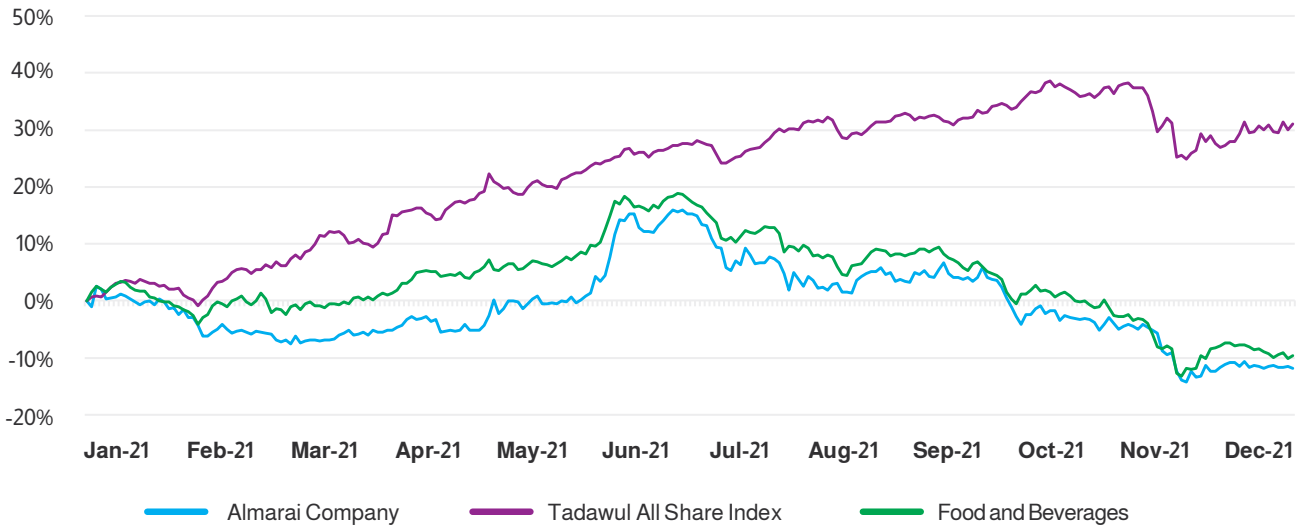
	Beginning of the Year		End of the Year	
Ownership of 5% and more of the Issued Shares	**Number of Shares**	**Percentage of Ownership**	**Number of Shares**	**Percentage of Ownership**
SAVOLA Group	345,218,236	34.5%	345,218,236	34.5%
HH Prince Sultan bin Mohammed bin Saud Al Kabeer and related entities	236,956,536	23.7%	236,956,536	23.7%
Saudi Agricultural and Livestock Investment Company	163,233,480	16.3%	163,233,480	16.3%
Total	**745,408,252**	**74.5%**	**745,408,252**	**74.5%**

Number of Company's Requests of Shareholders Records	Date of Request	Reason for the Request
1	02 January 21	Periodic Reports
2	04 April 21	Periodic Reports
3	04 April 21	Periodic Reports
4	13 April 21	Periodic Reports
5	15 April 21	Dividend Entitlement
6	10 June 21	Periodic Reports
7	18 July 21	Periodic Reports
8	17 October 21	Periodic Reports

Share Data Performance (SAR)

Share Price 31 December 2021	Share Price 1 Year Ago	Share Price 3 Years Ago	52-week High	52-week Low	Change from 2020-2021
48.75	54.90	48.00	63.70	46.75	-11.2%

Share Price Performance During the Year of 2021



Main Transactions Investments and Other Events

Acquisitions

On 15 March 2021, Almarai entered into a Sale and Purchase Agreement with the shareholders of UAE based companies Bakemart FZ LLC and Bakemart LLC ("Bakemart UAE"), and Bakemart WLL a Bahraini limited liability company ("Bakemart Bahrain"), to acquire 100% shares in Bakemart UAE and Bakemart Bahrain, for an Enterprise Value of AED 94 million. Bakemart is engaged in the manufacturing and production of frozen bakery items to the Food Services and Retail industries in the Middle East. This acquisition will further expand Almarai's Bakery product offering and will enhance Almarai's ability to increase its contribution to the Kingdom's food security, in alignment with the Kingdom's Vision 2030.

On 9 May 2021, one of Almarai's subsidiaries (Western Bakeries Company, Limited Liability Company) completed the acquisition of an additional 15.0% stake, owned by Olayan Financing Company, in Modern Food Industry LLC (a subsidiary company), for a total value of SAR 150 million. After this acquisition, the ownership of the shares of Western Bakeries Company became 75.0% of the capital of the Modern Food Industry LLC.

MFI is engaged in manufacturing and the sale of long shelf-life Bakery products, under the brand name of "7DAYS".

On 1 June 2021, Almarai signed an Asset Purchase Agreement with Binghatti Beverages Manufacturing L.L.C (BBM) for the purchase and acquisition of the BBM production facility in the UAE, for a price of AED 215 million. This acquisition has been completed in 2021.

This acquisition will enhance Almarai's ability to serve its customers by expanding the range of beverage products in the region.

Full Commitment Towards Achieving Food Security

On 2 May 2021, Almarai Board approved a capital investment estimated at SAR 6.6 billion to expand the Poultry segment that aims towards doubling the market share in this sector.

The expansion will be implemented in several phases over a period of five years and includes the development of grandparent farming and production facilities to enable full vertical integration of the poultry supply. Expansion will be focused on different geographical locations in the Kingdom to enhance the biosecurity in poultry farms.

These investments are the outcome of the support of the Government of the Custodian of the Two Holy Mosques and HRH Crown Prince to the private sector, and as part of the participation of the private sector in the development of the national economy, and in affirming Almarai's growing role in achieving the Kingdom's Vision 2030 in all fields, especially enhancing food security in the Kingdom.

On 14 December 2021, the Board approved an investment plan to enter the branded local beef category.

The investment plan will enable Almarai to offer its consumers local meat with a consistently high quality. The plan will be achieved via leveraging Almarai's existing young cattle supply to the market and Route to Market infrastructure. This investment plan will expand Almarai's product offering and contribute to the food security agenda as per Vision 2030.

The investment plan entails an initial investment of SAR 250 million, financed from Almarai Operating Cash Flows, to build a new end-to-end production plant, from slaughterhouse to butchery delivering retail ready packaged branded meat.

The investment plan is subject to approval by various regulatory authorities and the expected time frame of this investment is 24 months from the date of final regulatory approval.

Capital Expenditure (CAPEX)

CAPEX incurred in 2021 amounted to SAR 1.3 billion which is a slight increase from 2020 due to key acquisitions as highlighted above.

Expenditure was incurred as follows:

- All Manufacturing facilities and Farming spent CAPEX of approximately SAR 0.6 billion for various capacity expansion projects including the poultry plant expansion
- Sales Depot, Poultry and Logistics expansion accounted for approximately SAR 0.3 billion
- Replacement and other CAPEX accounted for approximately another SAR 0.4 billion

Important Events in 2022

Subject of Announcement *	
10-17 April 2022	Announcement of the Interim Consolidated Financial Results for Q1 2022
12 April 2022	The Extraordinary General Assembly meeting will be held to approve amendments to Almarai's Bylaws, The Board of Directors's report and the Financial Statements for 2021, as well as other subjects
17-28 April 2022**	Maturity and distribution of profits to shareholders for the financial year 2021
14 June 2022	Ordinary General Assembly Meeting for the nomination of the Board of Directors
17-24 July 2022	Announcement of the Interim Consolidated Financial Results for Q2 2022
9-16 October 2022	Announcement of the Interim Consolidated Financial Results for Q3 2022

* Announcement dates for Financial Results are preliminary and subject to change.
**Dividend distribution date is 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 the 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 Chartered and Professional Accountants ("SOCPA"). As part of this requirement, the Group has prepared Condensed Consolidated Interim Financial Statements for each quarter of 2021 and Annual Consolidated Financial Statements for the year ended 31 December 2021 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 2021 and Q1 2022. 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 2021, 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 2021, 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% 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 44.6% payout ratio for the five-year period from 2017-2021. 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 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 19,009 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 39.5% 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 attributable to shareholders of the Company

Year	Net Income (SAR million)	Dividend (SAR million)	Percentage	Capital (SAR million)	Amount (SAR)
2005	386.1	-	-	75	-
2006	464.7	200.0	43.0%	100	2
2007	667.3	272.5	40.8%	109	2.5
2008	910.3	381.5	41.9%	109	3.5
2009	1,096.7	460.0	41.9%	115	4
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	500.0	34.7%	400	1.25
2013	1,502.2	600.0	39.9%	600	1
2014	1,674.3	600.0	35.8%	600	1
2015	1,915.7	690.0	36.0%	600	1.15
2016	2,080.5	720.0	34.6%	800	0.9
2017	2,182.2	750.0	34.0%	1,000	0.75
2018	2,012.0	850.0	42.3%	1,000	0.85
2019	1,811.8	850.0	46.9%	1,000	0.85
2020	1,984.4	1,000.0	50.4%	1,000	1
Total	**22,553.7**	**8,909.00**	**39.5%**	**-**	**-**

Dividend Dates

Year	Announcement Date	Due Date	Distribution Date	Distribution Method	Amount (SAR)
2006	21-Jan-07	27-Mar-07	10-Apr-07	Account transfer	2
2007	21-Jan-08	24-Mar-08	07-Apr-08	Account transfer	2.5
2008	19-Jan-09	23-Mar-09	07-Apr-09	Account transfer	3.5
2009	20-Jan-10	11-Apr-10	26-Apr-10	Account transfer	4
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
2014	28-Dec-14	05-Apr-15	12-Apr-15	Account transfer	1
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	0.9
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
2020	15-Dec-20	13-Apr-21	21-Apr-21	Account transfer	1
2021*	**15-Dec-21**	**As per EGM Approval**	**As per EGM Approval**	**Account transfer**	**1**

*2021 is recommended to the Board of Directors for EGM approval and subject to change.

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
Total		**9,100.00**			

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	09-May-09	Acquisition (HADCO)	07-Oct-09	1,090	1,150
2010	05-Oct-10	Bonus shares	05-Dec-10	1,150	2,300
2012	07-Dec-11	Bonus shares	02-Apr-12	2,300	4,000
2013	29-May-13	Bonus shares	09-Sep-13	4,000	6,000
2016	14-Dec-15	Bonus shares	03-Apr-16	6,000	8,000
2017	08-Jun-17	Bonus Shares	08-Oct-17	8,000	10,000

With regard to cash dividends for 2021, the Board of Directors proposes to the General Assembly a dividend of SAR 1,000 million, representing 64.0% 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 2021

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 2021, with a brief description and related reason.

			SAR million	
Statutory Organization	**Description**	**Reason**	**2021**	**2020**
Saudi Customs	Amounts paid or charged as customs fees on imports & port charges.	Government requirement	**69**	82
General Authority of Zakat and Income Tax	Amounts paid as Zakat, WHT, Income Tax & VAT expenses according to the various laws	Government requirement	**1,208**	782
General Organization for Social Insurance	Amounts paid or charged as social insurance expenses, in accordance with Saudi Labour Law	Government requirement	**87**	88
Other Statutory Organizations	Amounts paid or charged according to various other laws	Other government requirements	**249**	251
Total			**1,614**	**1,203**

Penalties and Sanctions

Almarai was not charged any penalties or sanctions during 2021 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:

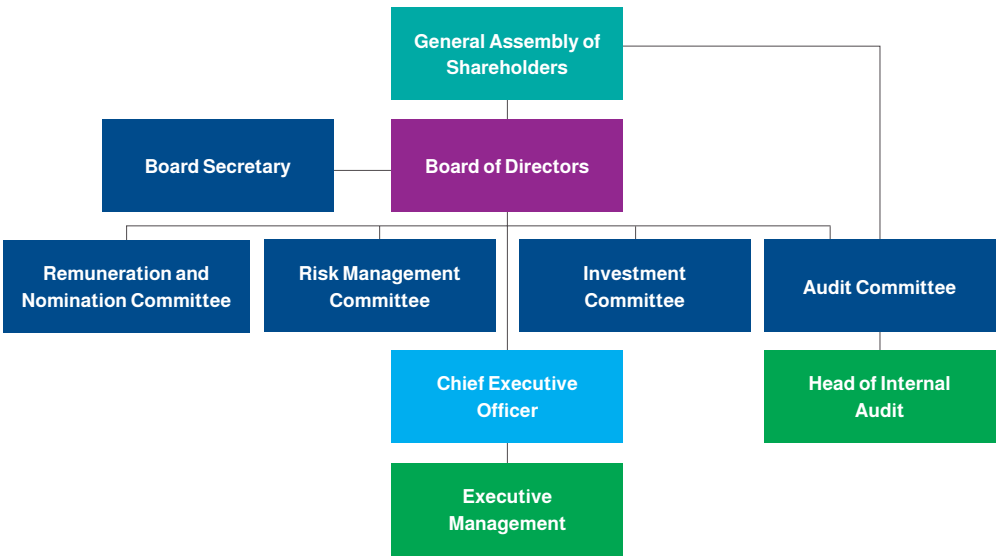
- The requirements of the CMA and of Tadawul
- The Companies Law of Saudi Arabia and associated ministerial directives of the Ministry of Commerce and Ministry Investment
- Almarai's Bylaws
- The Board establishes governance rules for the Company in accordance with the provisions of these regulations, 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 thereof and overseeing the overall performance of the Company
- Reviewing and approving the organizational and functional structures of the Company on a periodic basis

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. 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 a dividend 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 2021, 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 2021.

Member Name	Position	Membership Status	(Listed/ Unlisted)	Membership of Joint Stock Companies inside and outside of the 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, Zain Company
			Unlisted	Global Downstream Industries Company-GDI, Global Chemical Industries Company-GCI, Faraby Al Khaleej Petrochemical Company, Tejoury Company, Tarabot Investment and Development Company, Diplomat Flavour, Dar Alselal, Al Nafoura Catering Company
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	Non-Executive	Listed	Savola Group, ACWA Power International
			Unlisted	Vision invest Co. (Roaia), Abdulkadir Al Muhaidib and Sons, RAFAL Real Estate Development Company, Mhaideb Investment, Tarabot Investment & Development
Mr. Bader bin Abdullah Al Issa	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), Saudi National Bank
			Unlisted	Amwal Capital, Real Estate Development Fund, Amwal AlKhaleej
Mr. Peter Amon	Board Member	Independent	Listed	-
			Unlisted	More-Than-Meals
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. Saad bin Abdulmohsen Al Fadly	Board Member	Independent	Listed	Saudi British Bank
			Unlisted	Hassana Investment Company
Mr. Sultan bin Abdulmalek Al Alsheikh	Board Member	Non-Executive	Listed	-
			Unlisted	Gulf International Bank (Saudi Arabia), Gulf International Bank (Bahrain), Saudi Company for Exchanging Digital Information ("Tabadul"), Tahakom Investment Company, The Saudi Real Estate Refinance Company (SRC)
Mr. Waleed bin Khalid Fatani	Board Member	Non-Executive	Listed	Knowledge Economic City Company (KEC), Herfy Foods Co., Savola Group
			Unlisted	Kinan International Real Estate Development Company Limited, Panda Retail Co., United Sugar Company, Afia International Company, Alkabeer Holding Company, Savola World Est.

Regular Meetings of the Board for 2021

		Meetings						
		First	Second	Third	Fourth	Fifth	Sixth	
Member Name	Position	22-Feb-21	12-Apr-21	02-May-21	02-Jun-21	21-Sep-21	14-Dec-21	Attendance Rate
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%
Mr. Peter Amon	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	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%
Mr. Sultan bin Abdulmalek Al Alsheikh	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%
Mr. Waleed bin Khalid Fatani	Member	Attended	Attended	Attended	Attended	Attended	Attended	100%

Shareholders General Assembly Meetings during 2021

		Meetings	
Member Name	Position	13-Apr-21	Attendance Rate
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%
Mr. Peter Amon	Member	Attended	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	Attended	100%
Mr. Sultan bin Abdulmalek Al Alsheikh	Member	Attended	100%
Mr. Waleed bin Khalid Fatani	Member	Attended	100%

Ownership of Board Members

Table below illustrate shares held by Members of the Board of Directors and any changes that occurred during 2021. There were no arrangements by which any of the Board Members waived any salary or compensation.

Ownership by Members of Board of Directors

		Shares Ownership		
Member Name	**Note**	**Opening Balance (January 2021)**	**Closing Balance (December 2021)**	**Percentage Change**
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	-	8,695,651	8,695,651	0%
Mr. Sulaiman A.K. Al Muhaidib	-	8,695	8,695	0%
Mr. Bader bin Abdullah Al Issa	-	1,666	1,666	0%
Mr. Ammar bin Abdulwahid Alkhudairy	-	1,000	-	-100%
Mr. Peter Amon	-	-	-	-
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	-	-	-	-
Mr. Saad bin Abdulmohsen Al Fadly	-	-	-	-
Mr. Sultan bin Abdulmalek Al Alsheikh	-	-	-	-
Mr. Waleed bin Khalid Fatani	-	-	-	-

Ownership of Senior Executives

The following table illustrates Senior Managers', their spouses' and minors' interests in Almarai shares, as well as any changes that occurred in 2021. None of them have any interest in debt instruments issued by Almarai and there were no arrangements or agreements by which any of the Senior Managers waived any salary or compensation.

Ownership by Senior Managers

	Shares Ownership		
Name	Opening Balance (January 2021)	Closing Balance (December 2021)	Percentage Change
Abdullah Al Bader	260	260	-
Andrew Mackie	-	-	-
Danko Maras	-	-	-
Fahad Aldrees	470	470	-
Faisal Alfahadi	-	-	-
Fawaz Aljasser	11,960	11,960	-
Hussam Abdulqader	-	-	-
Michael McDonald	1	1	-
Mohammed Al Shuhail	48,488	48,488	-
Niall Mackay	-	-	-
Omar Mohammed Salem	43,000	3,280	-92%
Paul Partelides	-	-	-
Richard Salisbury	-	-	-

Details of Paid Compensation and Remuneration

Board Remunerations 2021							
		Fixed Remunerations					
	Position	Specific amount	Periodic remunerations (Board)	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total
Non-Executive & Independent Directors							
Non-Executive Directors							
HH Prince Naif Bin Sultan Bin Mohammed Bin Saud Al Kabeer	Chairman	-	200,000	-	-	500,000	700,000
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	-	200,000	-	-	-	200,000
HH Prince Saud Bin Sultan Bin Mohammed Bin Saud Al Kabeer	Member	-	200,000	-	-	-	200,000
Mr. Sultan Abdulmalik Al-Sheikh	Member	-	200,000	-	-	-	200,000
Mr. Waleed bin Khalid Fatani	Member	-	200,000	-	-	-	200,000
Independent Directors		-		-	-	-	
Mr. Ammar Bin Abdulwahid Alkhudairy	Member		200,000				200,000
Mr. Peter Amon	Member	-	200,000	-	-	-	200,000
Mr. Saad Bin Abdulmohsen Al Fadly	Member		200,000				200,000
Executive Directors		-		-	-	-	
Mr. Bader Bin Abdullah Al Issa	Managing Director	-	200,000	-	-	-	200,000
Non-Board Members		-		-	-		
Saif Al Kamil	Secretary	-		-	-	100,000	100,000
		-	**1,800,000**	**-**	**-**	**600,000**	**2,400,000**

Paid to five Top Senior Executives 2021 (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.

	Fixed Remunerations			
Remunerations of Top 5 Senior Executives (CEO and CFO Included)	**Salaries**	**Allowances**	**In-kind benefits**	**Total**
For 2021 (SAR)	**7,707,234**	**2,440,541**	**690,000**	**10,837,775**
For 2020 (SAR)	9,603,800	2,630,900	510,000	12,744,699

*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.

Board Remunerations 2021

Variable Remunerations

Percentage of the profits	Allowance for attending Board meetings	Allowance for attending other committee meetings	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End-of-service award	Aggregate Amount
-	18,000	12,000	-	-	-	30,000	-	730,000
-	18,000	-	-	-	-	18,000	-	218,000
-	18,000	9,000	-	-	-	27,000	-	227,000
-	18,000	15,000	-	-	-	33,000	-	233,000
-	38,000	16,000	-	-	-	54,000	-	254,000
-			-	-	-		-	
-	18,000	27,000	-	-	-	45,000	-	245,000
-	18,000	12,000	-	-	-	30,000	-	230,000
-	18,000	24,000	-	-	-	42,000	-	242,000
-			-	-	-		-	
-	18,000	12,000	-	-	-	30,000	-	230,000
-			-	-	-		-	
-	6,000	5,000	-	-	-	11,000	-	111,000
-	**188,000**	**132,000**	**-**	**-**	**-**	**320,000**	**-**	**2,720,000**

Variable Remunerations (SAR)

Periodic remunerations	Profits	Short term incentive plans	Long term incentive plans	Granted shares (insert the value)	Total	End-of-service award	Other benefits	Aggregate amount
-	**-**	**6,582,066**	**-**	**1,087,408**	**7,669,474**	**-**	**5,951,870**	**24,459,119**
-	-	12,351,463	-	778,662	13,130,125	4,000,000	2,219,408	32,094,232

Committees

Board of Directors

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	200,000	18,000	218,000
Mr. Sulaiman A.K. Al Muhaidib	Vice Chairman	200,000	18,000	218,000
Mr. Bader bin Abdullah Al Issa	Managing Director	200,000	18,000	218,000
Mr. Ammar bin Abdulwahid Alkhudairy	Member	200,000	18,000	218,000
Mr. Peter Amon	Member	200,000	18,000	218,000
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	200,000	18,000	218,000
Mr. Saad bin Abdulmohsen Al Fadly	Member	200,000	18,000	218,000
Mr. Sultan bin Abdulmalek Al Alsheikh	Member	200,000	18,000	218,000
Mr. Waleed bin Khalid Fatani	Member	200,000	38,000	238,000
Total		**1,800,000**	**182,000**	**1,982,000**

Remuneration and Nomination Committee

Name	Position	Fixed Remuneration (SAR)	Allowance for attending the Meetings (SAR)	Total (SAR)
Mr. Ammar bin Abdulwahid Alkhudairy	Chairman	150,000	15,000	165,000
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	150,000	9,000	159,000
Mr. Saad bin Abdulmohsen Al Fadly	Member	150,000	12,000	162,000
Mr. Sultan bin Abdulmalek Al Alsheikh	Member	150,000	15,000	165,000
Total		**600,000**	**51,000**	**651,000**

Audit Committee

Name	Position	Fixed Remuneration (SAR)	Allowance for attending the Meetings (SAR)	Total (SAR)
Mr. Raied bin Ali Alsif	Chairman	200,000	15,000	215,000
Dr. Abdulrahman bin Suliman Al Turaigi	Member	200,000	15,000	215,000
Mr. Eid bin Faleh Al Shamri	Member	200,000	15,000	215,000
Mr. Saad bin Abdulmohsen Al Fadly	Member	200,000	15,000	215,000
Mr. Sulaiman bin Naser Alhatlan	Member	200,000	15,000	215,000
Total		**1,000,000**	**75,000**	**1,075,000**

Risk Committee

Name	Position	Fixed Remuneration (SAR)	Allowance for attending the Meetings (SAR)	Total (SAR)
Mr. Waleed bin Khalid Fatani	Chairman	150,000	16,000	166,000
Jason Day	Member	150,000	12,000	162,000
Vanessa Fisk	Member	150,000	12,000	162,000
Total		**450,000**	**40,000**	**490,000**

Investment Committee

Name	Position	Fixed Remuneration (SAR)	Allowance for attending the Meetings (SAR)	Total (SAR)
Mr. Bader bin Abdullah Al Issa	Chairman	150,000	12,000	162,000
Mr. Ammar bin Abdulwahid Alkhudairy	Member	105,000	12,000	117,000
Mr. Peter Amon	Member	150,000	12,000	162,000
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	150,000	12,000	162,000
Total		**555,000**	**48,000**	**603,000**

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 way 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:

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 (Hons) of 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 in Accounting from the College of Administrative Science from King Saud University in Riyadh, KSA.

Dr. Abdulrahman bin Suliman Al Turaigi, Audit Committee Member
Dr. Abdulrahman Al Turaigi is a well-seasoned leader with a Ph.D. in Industrial Engineering. He has more than 30 years of management experience both in the government and private sector. He is currently a Board Member of 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 the State of Colorado and has been 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 of Accounting after which he attended California State University where he studied Accountancy and earned his Master's degree.

Investment Committee

The Board of Directors issued a resolution dated 8 June 2020 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:

- Work with Executive Management to develop an investment strategy and policy for the Company commensurate with the nature of its business, activities, and risks, and make appropriate recommendations to the Board of Directors.
- Review 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 recommend to the Board proposed changes.
- Oversee the Company's investment activities and establish appropriate processes for measuring and assessing investment performance.

- Study and evaluate the investment opportunities proposed by the Executive Management regarding the following transactions and make 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.
  - Ensure that the proposed investment opportunities comply with relevant regulations and instructions.
  - Identify and prioritize proposed investment proposals.
  - Study 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 the 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 an attendance allowance.
- The annual remuneration for the members of the Committee shall be determined as per the recommendation of the Remuneration and 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.

		Meetings				
		First	Second	Third	Fourth	
Member Name	Position	22-Mar-21	07-Jul-21	30-Aug-21	22-Nov-21	Attendance Rate
Mr. Bader bin Abdullah Al Issa	Chairman	Attended	Attended	Attended	Attended	100%
HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	Attended	Attended	100%
Mr. Ammar bin Abdulwahid Alkhudairy	Member	Attended	Attended	Attended	Attended	100%
Mr. Peter Amon	Member	Attended	Attended	Attended	Attended	100%

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 nominations 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 2021

During 2021, the Remuneration and Nomination Committee held five meetings. The following table illustrates the names, positions and attendance of Committee members.

		Meetings					
		First	Second	Third	Fourth	Fifth	
Member Name	**Position**	**21-Feb-21**	**02-Mar-21**	**22-Mar-21**	**30-Aug-21**	**22-Nov-21**	**Attendance Rate**
Mr. Ammar bin Abdulwahid Alkhudairy	Chairman	Attended	Attended	Attended	Attended	Attended	100%
HH Prince Saud bin Sultan bin Mohammed bin Saud Al Kabeer	Member	Attended	Attended	X	X	Attended	60%
Mr. Saad bin Abdulmohsen Al Fadly	Member	Attended	X	Attended	Attended	Attended	80%
Mr. Sultan bin Abdulmalek Al Alsheikh	Member	Attended	Attended	Attended	Attended	Attended	100%

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 2021, the Audit Committee held five meetings. The following table illustrates the names, positions and attendance of the Committee members.

		Meetings					
		First	Second	Third	Fourth	Fifth	
Member Name	Position	21-Jan-21	08-Apr-21	08-Jul-21	07-Oct-21	07-Dec-21	Attendance Rate
Mr. Raied bin Ali Alsif	Chairman	Attended	Attended	Attended	Attended	Attended	100%
Mr. Eid bin Faleh Al Shamri	Member	Attended	Attended	Attended	Attended	Attended	100%
Mr. Saad bin Abdulmohsen Al Fadly	Member	X	Attended	Attended	Attended	Attended	80%
Mr. Sulaiman bin Naser Alhatlan	Member	Attended	Attended	Attended	Attended	Attended	100%
Dr. Abdulrahman bin Suliman Al Turaigi	Member	Attended	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.

The Internal Audit Department shall be composed of an internal audit 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 2021:

- 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 maintaining 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 Meetings During 2021

During 2021, the Risk Management Committee held four meetings. The following table illustrates the names, positions and attendance of Committee members.

		Meetings				
		First	Second	Third	Fourth	
Member Name	Position	14-Mar-21	27-May-21	16-Sep-21	12-Dec-21	Attendance Rate
Mr. Waleed bin Khalid Fatani	Chairman	Attended	Attended	Attended	Attended	100%
Mr. Jason Day	Member	Attended	Attended	Attended	Attended	100%
Ms. Vanessa Fisk	Member	Attended	Attended	Attended	Attended	100%

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 2021, Almarai carried out the following significant transactions with related parties on an arms' length basis.

Nature of Transaction	Transaction amount		Balance at 31 December	
	2021 SAR '000	2020 SAR '000	2021 SAR '000	2020 SAR '000
Sales To				
Panda Retail Company	731,026	730,416	132,001	185,685
Afia International Company	2,249	7,947	531	-
Herfy Food Services	-	3,799	-	1,175
Abdullah Al Othaim Markets*	491,769	451,753	98,291	89,922
Total	**1,225,044**	**1,193,915**	**230,823**	**276,782**
Purchases From				
United Sugar Company	57,633	38,373	(4,845)	(3,296)
Maria Fondomonte S.A.	26,962	70,680	(462)	(1,048)
	84,595	**109,053**	**(5,307)**	**(4,344)**
Services From				
Arabian Shield Cooperative Insurance Company	162,054	153,791	(275)	(2,060)
Saudi Telecommunication Company - STC	25,194	17,075	-	-
Zain	7,390	4,901	-	-
	194,638	**175,767**	**(275)**	**(2,060)**
Subtotal	**279,233**	**284,820**	**(5,582)**	**(6,404)**
Finance Charges				
Saudi British Bank	5,512	8,969	(1,587)	(1,660)
Banque Saudi Fransi	2,042	3,207	(588)	(615)
Saudi National Bank	9,187	7,286	(2,644)	(1,229)
	16,741	**19,462**	**(4,819)**	**(3,504)**
Bank Financing				
Saudi British Bank	26,685	34,482	(1,042,002)	(1,274,062)
Banque Saudi Fransi	2,352	3,456	-	-
Saudi National Bank	14,586	23,998	(590,625)	(800,000)
	43,623	**61,936**	**(1,632,627)**	**(2,074,062)**

* During Dec 2021 the entity became a related party for the Group. The disclosed transactions reflect the total amount of trading activity carried out during 2021 and 2020 and the related balance as at 31 December for such years.

Dealings During the Year 2021

The following significant related party transactions during 2021 required approval from the General Assembly.

Member	Nature of Dealing	Amount SAR '000	Period	Conditions
Chairman / HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer				
Mobile Telecommunication Company Saudi (ZAIN)	Telecommunication Services	7,390	2021	Commercial condition prevailing in the market
Arabian Shield Cooperative Insurance Company	Insurance	162,054	2021	Commercial condition prevailing in the market
Savola Group (Mr. Sulaiman A.K. Al Muhaidib, Mr. Bader Abdullah Al Issa and Mr. Waleed bin Khalid Fatani)				
Panda Retail Company	Product Sales	731,026	2021	Commercial condition prevailing in the market
United Sugar Company	Sugar Purchasing	57,633	2021	Commercial condition prevailing in the market
Afia International Company	Oil Purchasing	2,249	2021	Commercial condition prevailing in the market
Mr. Saad Al Fadly				
Saudi British Bank	Bank Financing	26,685	2019 : 2029	Commercial condition prevailing in the market
Saudi British Bank	Payment of Sukuk Finance Charges	5,512	2013 : 2022	Commercial condition prevailing in the market
Mr. Bader bin Abdullah Al Issa				
Banque Saudi Fransi	Bank Financing	2,352	2017 : 2027	Commercial condition prevailing in the market
Banque Saudi Fransi	Payment of Sukuk Finance Charges	2,042	2015 : 2022	Commercial condition prevailing in the market
Mr. Ammar Alkhudairy				
Saudi National Bank	Bank Financing	14,586	2015 : 2026	Commercial condition prevailing in the market
Saudi National Bank	Payment of Sukuk Finance Charges	9,187	2015 : 2022	Commercial condition prevailing in the market
Mr. Sultan Al Shaikh				
Saudi Telecom Company	Telecommunication Services	25,194	2021	Commercial condition prevailing in the market

Disclosure and Transparency Policy

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

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

The following information is updated and published annually, or as required by the law and relevant rules and regulations.

This is not an exhaustive list – other useful information is also disclosed as required:

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

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

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

Hotline Compliance: COC (Code of Conduct) / COI (Conflict of Interest) / Whistleblowing 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

Interested parties may also contact the Company through the following telephone numbers: 800 124 6688 in Saudi Arabia; or +966 (11) 453 6688 from abroad. Interested parties may also contact Almarai by email: info@almarai.com

For more information, visit the Company's website: www.almarai.com

Board of Directors Certification

The Board of Directors has taken care to ensure the professional performance of the Company during 2021 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 2021, 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 2021
- 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 2021
- 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 2021 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 2021, 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

The Board training has been deferred due to COVID-19 pandemic issues.

Disclosure Statement of the Board Third Party Evaluation

In 2021, Almarai undertook a performance assessment of its Board of Directors. The Company retained the services of Governance Compass (Compass) to conduct the assessment. Compass is an independent, specialist consulting firm with which Almarai does not have any commercial relationships.

The assessment was conducted using surveys and interviews with the Board Members, CEO, CFO and the Board Secretary. The assessment covered the Board, Committees, individual Board Members and the Board Chairman, as well as the Board meetings themselves.

A comprehensive report presenting key strengths and areas for improvement was presented to the Board on 14 December 2021. Overall, the assessment revealed that the Board is very effective and performs by good standards of governance. At the same time, specific areas for improvement were identified. The report's key recommendations to further enhance the overall effectiveness of the Board have been reviewed by Almarai's Remuneration and Nomination Committee, the Chairman, and by the Board, for their consideration.

Financial Performance for 2021

Financial Performance

Consolidated Profit attributable to shareholders of SAR 1,564 million, decreased by 21% compared to 2020 due to global commodity cost increases and regulatory reforms within GCC.

Top line growth in the GCC countries was adverse due to the base year effect of higher food purchases in 2020 due to COVID-19 related movement restrictions. However robust growth in Egypt and Jordan consumer markets and higher alfalfa sales as part of our de-stocking programme helps deliver a positive top line growth at Group level.

Due to an unfavorable revenue mix, the product margins were dilutive. In addition, there were two adverse factors affecting our operating P&L structure. The first was the shift towards a more market driven supply chain structure driven by reduction in feed subsidies by SAR 156 million. The second was a significant increase in cost inflation for global dairy and farm commodities resulting in nearly SAR 420 million of additional cost. Whilst Almarai was able to control its operating cost very strongly, the impact of these two adverse factors resulted in a reduction of operating profit by 20%. The impact of this reduction was shown by the reduction in Gross Profit from SAR 5,536 million in 2020 to SAR 5,059 million in 2021 and Operating Profit from SAR 2,522 million in 2020 to SAR 2,015 million in 2021.

Lastly, the Net Income was supported by reduction in funding costs. Financing costs for the Group decreased by SAR 150 million due to a lower Net Debt level and lower funding rates driven by favorable market conditions throughout the year and effective rate management.

Despite challenges faced on the profitability front, the Group fared well in cash flow generation. The inventory reduction as a result of our de-stocking programme and improved vendor management resulted in a reduction of working capital by SAR 0.6 billion. This helped the Company record SAR 3.1 billion in free cash flow which is the highest ever free cash flow generated in Almarai's history. The free cash flow represented 20% of the Net Revenue which was also a record achievement.

Segmental Results

Dairy and Juice segment recorded 2% growth over last year driven by a strong performance in the Long Life Dairy segment which grew by 10% year on year. This was followed by fresh Dairy and Juice segments which recorded positive growth. The main exception to growth was Dairy foods segment which reported a decline of 8% due to base year effect of one-off purchases done during COVID-19 related restrictions in 2020. Dairy and Juice segment reported 18% lower Net Profit due to usage of 100% imported alfalfa, higher commodity costs and lower subsidy.

Bakery segment growth was driven in the second half as schools were partially opened after summer break. The volume growth in the second half was further supported by positive product mix of single serve resulting in 4% growth for the full year.

Poultry segment revenue was more positive for the year as pricing adjustments across the category helped overcome an unfavorable channel mix due to opening of hotels and restaurants in year 2021 vs year 2020. Net Profit for Poultry segment was however 37% lower due to the reduction in subsidy and higher feed commodity costs.

Geographic Sales

Saudi Arabia, at 65.0% 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 34%, driven mainly by Jordan, Egypt and export.

Cash Flow and Balance Sheet

The Company delivered Net Cash Generated From Operating Activities of SAR 4,915 million, an increase of 17.0% from 2020 of SAR 4,203 million, mainly due to stable business performance and improved working capital management, mainly for inventory and vendor management.

The Net Cash used in Investing Activities reached SAR 1,814 million in 2021 against SAR 1,373 million for 2020, adjusted for time deposit redemption of SAR 585 million. The investing activities resulted in slightly higher investment compared to last year due to the acquisition of Binghatti Manufacturing and Bakemart in the UAE and Bahrain.

The positive free Cash Flow for 2021 amounted to SAR 3,101 million, which was SAR 271 million higher than 2020, and a new record in Almarai's history. The positive free cash flow was driven by improved working capital management and a stable operating performance

Managing Risk

In the course of the year, the maturity profile of the existing debt facilities reduced from 4.0 years to 3.5 years due to deleveraging. 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 an optimum percentage of debt in a fixed interest rate regime to protect from unfavorable movement earlier in the year. During 2021, volatile currency risk was managed via maintaining minimal foreign currency exposure in both Egyptian and Argentinean operations. Whilst stable EGP provided a 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, plastic, and sugar, with an established risk framework in place to guard against challenges created by volatile prices. 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 2021, the overall leverage of the Company reached 2.6 Net Debt to EBIDTA, within the strategic limit set by the Board of Directors. The Net Debt to Equity Ratio reached 55% at the end of 2021, below the 100% target.

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 9,703.8 million at the end of 2021, in the form of Murabaha banking facilities compliant with Shariah (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 1,539.9 million, to the benefit of government financial institutions. Financing facilities granted by banks and other financial institutions are guaranteed by secured promissory notes issued by the Company.

Source of Financing (SAR million)

Source of Financing	Amount of Core Funding	Financing Period	Payment Method	Start of year 2021	Additions during the year	Paid during the year	31-Dec-21	Maturity Date
Banks and Financial Institutions (Islamic Banking Facilities).	9,523.8	2-10 years	Quarterly, semi-annual and annual	4,416.6	9,439.9	9,964.2	3,892.4	2021-2027
Banking Facilities of Foreign Subsidiaries	718.1	1-7 years	Quarterly, semi-annual and annual	358.5	1,077.8	1,038.8	397.5	2021-2023
Saudi Industrial Development Fund	1,417.7	1-11 years	Semi-annual	2,421.2		1,003.6	1,417.7	2021-2028
Supranational	882.6	1-9 years	Semi-annual	272.7	142.5	46.5	368.7	2021-2026
Agricultural Development Fund	122.2	11 years	Annual	142.8	-	20.6	122.2	2021-2027
Sukuk - Fourth Tranche	1,608.9	7 years	Lump sum	1,608.6		(0.3)	1,608.9	Sep 2022
International Sukuk	1,896.5	5 years	Lump sum	1,894.5	(1.2)	(3.2)	1,896.5	Mar 2024
Total	**16,169.7**	**-**	**-**	**11,114.9**	**10,659.0**	**12,070.1**	**9,703.8**	**-**

Classification of Funding (SAR million)

Classification of Funding	2021 (SAR million)	2020 (SAR million)
Short Term Loans	**135.9**	55.4
Current Portion of Long Term Loans	**2,495.7**	970.6
Loans - Non-Current Liabilities	**7,072.2**	10,089.0
Total	**9,703.8**	**11,115.0**

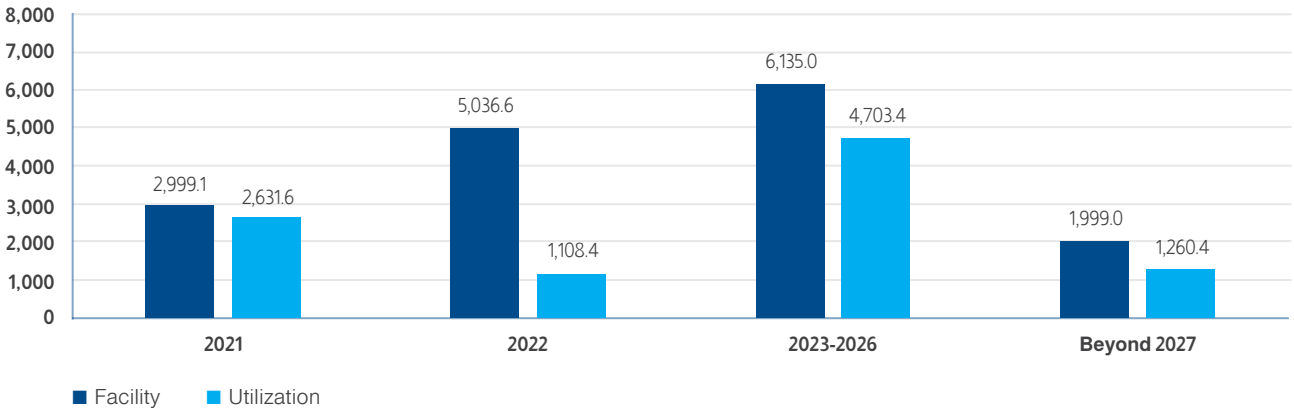
Maturity of Funding (SAR million)

Maturity of Funding	2021 (SAR million)	2020 (SAR million)
Less than One Year	**2,631.6**	1,026.0
One to Two Years	**1,108.4**	3,353.0
Two to Five Years	**4,703.4**	4,240.3
Greater than Five Years	**1,260.4**	2,495.7
Total	**9,703.8**	**11,115.0**

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 6,465.9 million at the end of 2021

Facilities and Utilization (SAR million)



FINANCIAL STATEMENTS


المراعي
Almarai

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 2021, 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 Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

Our audit approach

Overview

Key Audit Matters

- Carrying value of goodwill
- Carrying value of biological assets

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 2021, the Group had goodwill, which arose on past business combinations, amounting to Saudi Riyals 942.6 million.

In accordance with the International Accounting Standard (IAS) 36 "Impairment of assets" ("IAS 36"), 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 2021 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. 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;

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 inquired 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 in particular, sales growth rates and pre-tax discount rates; and
- Performed sensitivity analyses over the key assumptions, principally sales growth rates and pre-tax discount rates, in order to assess the potential impact of a range of possible outcomes.

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

Carrying value of goodwill (continued)

b) assumptions of the impact of the future actions of the Group's main competitors on expected revenue and gross margin assumptions; and
c) sales growth rates and pre-tax discount rates used in the value-in-use model.

Refer to Note 5.10 for the accounting policy and Note 10 for the related disclosures in the accompanying consolidated financial statements.

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the Key audit matter

Carrying value of biological assets

As indicated in Note 11 to the consolidated financial statements, the carrying value of biological assets as at 31 December 2021 amounted to Saudi Riyals 1,587 million. This includes Saudi Riyals 1,373 million relating to the Group's dairy herd.

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.

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 2021.

Refer to Note 5.9 for the accounting policy and Notes 6.1 and 28.1 for the related disclosures in the accompanying consolidated financial statements.

We performed the following procedures in relation to the carrying value of the dairy herd.

- 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 overseas;
- Assessed management's assertion that market value based (Level I and II) valuation approaches are not possible by consideration of relevant markets available to the Group and consideration of the differences between the Group's dairy herd operations compared to other similar entities;
- 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
- Compared the basis on which management capitalises and depreciates the dairy herd to the approach followed by relevant accounting standards.

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to biological assets.

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.

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

Report on the audit of the consolidated financial statements

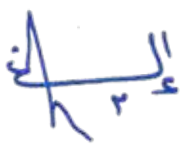
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies 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

23 January 2022

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 SAR '000	31 December 2020 SAR '000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7	**20,873,448**	21,112,904
Long-term Prepayments	8	**579,677**	606,939
Right-of-Use Assets	9	**464,704**	470,269
Intangible Assets and Goodwill	10	**1,129,105**	1,217,642
Biological Assets	11	**1,469,084**	1,392,079
Investments in Associate and Joint Venture	12	**88,749**	89,623
Equity Investment	12	**-**	129,734
Derivative Financial Instruments	36	**2,011**	142
Deferred Tax Assets	22	**45,339**	35,517
		24,652,117	25,054,849
Current Assets			
Inventories	13	**4,353,596**	4,705,364
Biological Assets	11	**117,980**	90,195
Trade Receivables, Prepayments and Other Receivables	14	**1,991,205**	1,936,341
Derivative Financial Instruments	36	**11,597**	54,047
Equity Investment	12	**46,894**	-
Cash and Cash Equivalents	15	**580,913**	503,510
		7,102,185	7,289,457
TOTAL ASSETS		**31,754,302**	32,344,306
EQUITY AND LIABILITIES			
Share Capital	16	**10,000,000**	10,000,000
Statutory Reserve		**2,585,270**	2,428,915
Treasury Shares	17	**(875,157)**	(906,594)
Other Reserves	18	**(622,389)**	(443,871)
Retained Earnings		**5,031,770**	4,608,458
Equity Attributable to Equity Holders of the Company		**16,119,494**	15,686,908
Non-Controlling Interests	19	**498,919**	546,771
TOTAL EQUITY		**16,618,413**	16,233,679
Non-Current Liabilities			
Loans and Borrowings	20	**7,072,240**	10,088,955
Lease Liabilities	9	**360,434**	330,980
Employee Retirement Benefits	21	**951,827**	909,353
Derivative Financial Instruments	36	**10,041**	3,757
Deferred Tax Liabilities	22	**117,302**	102,139
		8,511,844	11,435,184
Current Liabilities			
Bank Overdrafts	32	**78,395**	137,512
Loans and Borrowings	20	**2,631,598**	1,026,013
Lease Liabilities	9	**80,710**	94,509
Zakat	23	**429,988**	371,993
Income Tax Payable	23	**17,264**	26,311
Trade and Other Payables	24	**3,339,496**	3,014,834
Derivative Financial Instruments	36	**46,594**	4,271
		6,624,045	4,675,443
TOTAL LIABILITIES		**15,135,889**	16,110,627
TOTAL EQUITY AND LIABILITIES		**31,754,302**	32,344,306

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Danko Maras
Chief Financial Officer

Abdullah Nasser Al Bader
Chief Executive Officer

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

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

		31 December 2021	31 December 2020
	Notes	SAR '000	SAR '000
Revenue	31	**15,849,720**	15,356,948
Cost of Sales	25	**(10,790,450)**	(9,821,440)
Gross Profit		**5,059,270**	**5,535,508**
Selling and Distribution Expenses	26	**(2,518,851)**	(2,490,479)
General and Administration Expenses	27	**(428,157)**	(419,790)
Other Expenses, net	28	**(85,563)**	(78,428)
Impairment Loss on Financial Assets		**(11,845)**	(24,477)
Operating Profit		**2,014,854**	**2,522,334**
Finance Cost, net	29	**(346,063)**	(495,881)
Share of Results of Associate	12	**(941)**	1,405
Profit before Zakat and Income Tax		**1,667,850**	**2,027,858**
Zakat	23	**(77,080)**	(72,042)
Income Tax	22,23	**(11,334)**	(20,260)
Profit for the year		**1,579,436**	**1,935,556**
Profit / (Loss) for the year attributable to:			
Shareholders of the Company		**1,563,543**	1,984,361
Non-Controlling Interests		**15,893**	(48,805)
		1,579,436	**1,935,556**
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company			
- Basic	30	**1.59**	2.02
- Diluted	30	**1.56**	1.98

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Chief Executive Officer

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Chairman

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	31 December 2021 SAR '000	31 December 2020 SAR '000
Profit for the year		**1,579,436**	**1,935,556**
Items that will not be reclassified to profit or loss:			
Actuarial Loss on Employee Retirement Benefits	21	**(4,929)**	(25,459)
Change in the Fair Value of Equity Investment through FVOCI	12	**(1,902)**	(15,950)
Items that are or may be reclassified subsequently to profit or loss:			
Settlement of Cash Flow Hedges transferred to Inventory / PPE		**(82,425)**	(29,950)
Foreign Currency Translation Differences		**4,540**	4,713
Movement in Fair Value on Cash Flow Hedges		**34,364**	35,324
Settlement of Cash Flow Hedges transferred to Profit or Loss		**(41,127)**	33,992
Other Comprehensive (Loss) / Income for the year, net of Income Tax		**(91,479)**	2,670
Total Comprehensive Income for the year		**1,487,957**	**1,938,226**
Total Comprehensive Income / (Loss) for the year attributable to:			
Shareholders of the Company		**1,471,041**	1,980,597
Non-Controlling Interests		**16,916**	(42,371)
		1,487,957	**1,938,226**

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Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2020	**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)
"Transactions with Owners in their Capacity as Owners"								
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)
Balance at 31 December 2020	**10,000,000**	**2,428,915**	**(906,594)**	**(443,871)**	**4,608,458**	**15,686,908**	**546,771**	**16,233,679**
Balance at 1 January 2021	**10,000,000**	**2,428,915**	**(906,594)**	**(443,871)**	**4,608,458**	**15,686,908**	**546,771**	**16,233,679**
Profit for the year	-	-	-	-	1,563,543	1,563,543	15,893	1,579,436
Other Comprehensive (Loss) / Income for the year	-	-	-	(87,598)	(4,904)	(92,502)	1,023	(91,479)
Total Comprehensive (Loss) / Income	-	-	-	(87,598)	1,558,639	1,471,041	16,916	1,487,957
Transfer during the year	-	156,355	-	-	(156,355)	-	-	-
Directors' Remuneration	-	-	-	-	(5,087)	(5,087)	-	(5,087)
"Transactions with Owners in their Capacity as Owners"								
Dividend Declared SAR 1 per Share	-	-	-	-	(981,254)	(981,254)	-	(981,254)
Share Based Payment Transactions	-	-	-	20,370	-	20,370	-	20,370
Settlement of Treasury Shares	-	-	31,437	(8,626)	6,336	29,147	-	29,147
Purchase of Additional Stake in MFI (Refer note 1)	-	-	-	(102,664)	-	(102,664)	(47,336)	(150,000)
Transactions with Non Controlling Interests	-	-	-	-	1,033	1,033	(17,432)	(16,399)
Balance at 31 December 2021	**10,000,000**	**2,585,270**	**(875,157)**	**(622,389)**	**5,031,770**	**16,119,494**	**498,919**	**16,618,413**

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Chairman

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	31 December 2021 SAR '000	31 December 2020 SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**1,579,436**	1,935,556
Adjustments for non-cash items:			
Depreciation of Property, Plant and Equipment	7	**1,608,569**	1,600,408
Amortisation of Long-term Prepayments	8	**27,262**	20,759
Depreciation of Right-of-Use Assets	9	**102,737**	108,505
Amortisation of Intangible Assets	10	**66,476**	56,681
Depreciation of Biological Assets	11	**360,241**	349,178
(Gain)/Loss arising from Changes in Fair Value less Cost to Sell of Crops		**(2,477)**	3,800
Provision for Employee Retirement Benefits	21	**117,115**	119,085
Share Based Payment Expense		**20,370**	15,398
Finance Cost, net	29	**346,063**	495,881
Other Expenses, net		**85,863**	93,887
Share of Results of Associate	12	**941**	(1,405)
Zakat	23	**77,080**	72,042
Income Tax	22,23	**11,334**	20,260
		4,401,010	**4,890,035**
Changes in Working Capital:			
Inventories		**2,304,663**	1,148,049
Biological Assets		**(1,978,985)**	(1,650,036)
Trade Receivables, Prepayments and Other Receivables		**(55,531)**	(65,165)
Trade and Other Payables		**358,167**	26,522
Cash Flow Generated from / (Used in) Working Capital		**628,314**	(540,630)
Employee Retirement Benefits Paid	21	**(79,570)**	(61,590)
Zakat and Income Tax Paid	23	**(34,749)**	(84,763)
Net Cash Generated from Operating Activities		**4,915,005**	**4,203,052**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Redemption of Time Deposit		**-**	585,000
Proceeds from Sale of Right Issues of Equity Investment		**-**	15,279
Proceeds from Sale of Equity Investment	12	**80,938**	-
Purchase of Manufacturing Facility	1	**(219,369)**	-
Dividend from Equity Investment	28	**300**	180
Additions to Property, Plant and Equipment		**(1,087,816)**	(823,691)
Proceeds from the Disposal of Property, Plant and Equipment		**40,304**	110,636
Additions to Intangible Assets	10	**(57,175)**	(144,971)
Additions to Biological Assets		**(822,094)**	(764,405)
Proceeds from the Disposal of Biological Assets		**250,665**	234,345
Net Cash Used in Investing Activities		**(1,814,247)**	**(787,627)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Loans and Borrowings		**10,659,617**	4,950,633
Repayment of Loans and Borrowings		**(12,129,264)**	(6,581,891)
Purchase of Additional Stake in a Subsidiary	1	**(150,000)**	-
Finance Cost Paid		**(342,446)**	(467,844)
Dividend Paid		**(978,187)**	(847,896)
Purchase of Treasury Shares	17	**-**	(250,461)
Settlement of Treasury Shares		**29,147**	102,246
Transactions with Non Controlling Interests		**(6,407)**	(23,889)
Principal Element of Lease Payments		**(86,765)**	(108,068)
Interest Element of Lease Payments		**(14,369)**	(17,102)
Directors' Remuneration		**(5,087)**	(5,767)
Net Cash Used in Financing Activities		**(3,023,761)**	**(3,250,039)**
Net Change in Cash and Cash Equivalents		**76,997**	**165,386**
Cash and Cash Equivalents at 1 January		**503,510**	338,435
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		**406**	(311)
Cash and Cash Equivalents at 31 December	15	**580,913**	**503,510**

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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.

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, Sultanate of Oman ("Oman") and Kingdom of Bahrain ("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 Bahrain.

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

The Group owns 100% shareholding in Premier Foods Industries Company LLC ("Premier Foods") in Saudi Arabia. Premier Foods is primarily engaged in providing value added products (meat and poultry) to the food services industry in the Middle East.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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

Acquisitions:

a) On 24 Ramadan 1442 A.H. (2 May 2021), the Group has acquired further 15% shares in Modern Foods Industries Company Limited ("MFI") owned by Olayan Financing Company (hereinafter referred to as "Olayan") for a total value of Saudi Riyal ("SAR")150 million paid in cash, resulting in an increase in its shareholding from 60% to 75%. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest ('NCI') owned by Olayan was Saudi Riyals 47 million. The purchase was accounted for as an equity transaction with owners with no impact on the profit or loss account for the year ended 31 December 2021. The difference of SAR 103 million between the carrying value of NCI owned by Olayan and consideration paid was recorded under equity as part of other reserves.

There were no significant transactions with non-controlling interests in 2021 and 2020 except for those disclosed above.

b) On 20 On 20 Shabaan 1442 (15 March 2021), the Group entered into a Share Purchase Agreement ('SPA') to acquire 100% shares of Bakemart FZ L.L.C and Bakemart L.L.C, based in UAE and Bakemart W.L.L based in Bahrain (collectively "Bakemart") for an enterprise value of AED 93.5 million (SAR 95.5 million).

The closures of the acquisition and determination of the date of control was subject to completion of certain conditions/requisites outlined in the agreement. It included certain approvals from regulatory authorities, appointment of Board of Directors and key management personnel and settlement of consideration payable with the counterparty.

On 8 July 2021, the Group obtained General Authority for Competition ('GAC') approval for acquisition of Bakemart, however, other required conditions were not met as at 31 December 2021 and therefore management concluded that this acquisition did not meet the 'control' criteria under the relevant accounting standard and as such the financial impact and results of the acquisition will be incorporated in Group's Financial Statements on successful completion of these conditions. Also refer to note 40.

Asset Purchase Transactions:

a) On 20 Shawwal 1442 (1 June 2021), the Group entered into an Asset Purchase Agreement ('APA') with Binghatti Beverages Manufacturing L.L.C ("BBM") for the purchase and acquisition of BBM production facility based in UAE for the consideration of AED 215 million (SAR 219.4 million) settled in cash.

Covid-19 Update:

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 over the last two years, management continues to proactively assess its impacts on its operations. In particular the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in April 2020 are still in effect 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. Access of fully vaccinated individuals to farming and manufacturing facilities has been restored. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. More than 95% of the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is working on a plan to encourage booster shots and has already arranged booster clinics at head office and other sites.

The management of the Group believes that any lockdown measures being reintroduced will not materially affect the underlying demand from retail and wholesale customers for the Group's products and forecast. The impact of such measures will be limited to changes in product mix only.

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 2021 including the significant accounting judgements and estimates.

The Group continues to monitor the surge of the new variant 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 2022 or beyond.

Climate change:

The Group is subject to short-term and long-term climate change related risks (due to increasing customer, investor, and government expectations). These risks are inherent part of operating a food industry. Almarai continually works to reduce the environmental footprint of the business, in part, due to the inherent risks.

Rising fuel costs and the greenhouse gas emissions associated with fuel and electricity consumption have an impact not only on the environment but also on Almarai's financial bottom line. Climate change also creates risks for agricultural production through droughts, pests, diseases, etc. that pose challenges for sustaining and increasing production levels.

The group has developed a sustainability strategy, outlining how it will improve its energy performance through efficient energy consumption and generation from sustainable sources. The strategy focuses on solar power generation, water and energy efficiency, sustainable arable farming practices, landfill waste reduction, commitment to 100% CFC-free cold storage at its sales depot, and fuel efficiency measures including trailing alternative fuel vehicles.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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	Under Liquidation
Almarai Construction Company Limited	Saudi Arabia	Dormant
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Under Liquidation
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Under Liquidation
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
Hail Agricultural And Livestock Production Company Limited	Saudi Arabia	Under Liquidation
International Baking Services Company Limited	Saudi Arabia	Dormant
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant
"Modern Food Industries Company Limited (Refer note 1)"	Saudi Arabia	Bakery Company
Nourlac Company Limited	Saudi Arabia	Under Liquidation
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company
Premier Food Industries Company L.L.C	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
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.	UAE	Trading Company
International Dairy and Juice (Dubai) Limited	UAE	Liquidated
BDC international L.L.C.	UAE	Operations Management
Almarai Company Drinks Manufacturing LLC	UAE	Manufacturing Company
Fondomonte Holding North America L.L.C.	US	Holding Company
Fondomonte Arizona L.L.C.	US	Agricultural Company
Fondomonte California L.L.C.	US	Agricultural Company
Hayday Farm Operation L.L.C.	US	Agricultural Company

Effective Ownership Interest			
2021	2020	Share Capital	Number of Shares Issued
100%	100%	"SAR 1,000,000"	1,000
100%	100%	"SAR 200,000,000"	20,000,000
100%	100%	"SAR 1,000,000"	1,000
100%	100%	"SAR 1,000,000"	1,000
100%	100%	"SAR 1,000,000"	1,000
52%	52%	"SAR 25,000,000"	250
100%	100%	"SAR 300,000,000"	30,000,000
100%	100%	"SAR 1,000,000"	1,000
100%	100%	"SAR 500,000"	500
100%	100%	"SAR 41,000,000"	410,000
75%	60%	"SAR 70,000,000"	70,000
100%	100%	"SAR 3,000,000"	3,000
100%	100%	"SAR 200,000,000"	200,000
94%	94%	"SAR 46,500,000"	465,000
100%	100%	"SAR 500,000"	50,000
100%	100%	SAR 10,000	100
100%	100%	"ARS 5,097,984"	5,097,984
100%	100%	"ARS 2,211,988,598"	2,211,988,598
100%	100%	"BHD 100,000 "	1,000
100%	99%	"BHD 34,450,000"	344,500
52%	52%	"BHD 250,000"	2,500
52%	52%	"USD 7,583,334"	7,583,334
52%	52%	"EGP 3,233,750,000"	323,375,000
52%	52%	"EGP 3,802,366,670"	380,236,667
52%	52%	"EGP 2,000,000"	2,000
100%	100%	"INR 2,750,680"	275,068
100%	100%	"GBP 5,769,822"	5,769,822
52%	52%	"JOD 500,000"	500,000
52%	52%	"JOD 750,000"	750,000
52%	52%	"JOD 250,000"	250,000
52%	52%	"JOD 500,000"	500,000
52%	52%	"JOD 21,935,363"	21,935,363
90%	90%	"OMR 150,000"	150,000
100%	100%	"OMR 20,000 "	20,000
100%	100%	"EUR 138,505,946"	138,505,946
100%	100%	"SDG 100,000"	100
100%	100%	"AED 300,000 "	300
-	52%	"USD 22,042,183"	22,042,183
100%	100%	"AED 200,000"	200
100%	100%	"AED 250,000 (Unpaid)"	100
100%	100%	"USD 500,000"	50,000
100%	100%	"USD 500,000"	50,000
100%	100%	-	-
100%	100%	-	-

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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 Chartered and Professional Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in Saudi Arabia").

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 employee retirement benefit is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, where fair value is reliably measurable, have been measured at fair value. (Refer note 6.1)

Certain comparative amounts have been adjusted to conform to the current year presentation.

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. 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 recognised in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in 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 2021.

5.1.1. Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

5.1.2. Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does 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 2022 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

5. SIGNIFICANT ACCOUNTING POLICIES continued

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 recognise 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.

5.2.3. Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

5.2.4. Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

5.3. Cash and Cash Equivalents

Cash and cash equivalents include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

5.4. Inventories

Inventories are measured at the lower of cost or net realisable value ("NRV"). 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. NRV comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

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

Spares are valued at lower of cost or NRV. 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.

5.5. 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 recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to

recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in 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 recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

5.6. 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 till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in the Consolidated Statement of Profit or Loss.

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

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets where depreciation is charged based on the expected use:

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 assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

5. SIGNIFICANT ACCOUNTING POLICIES continued

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.

5.7. Long-term Prepayments

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

5.8. Right-of-Use Assets and Lease Liabilities

The Group has recognised 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.

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 recognised 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. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. 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, significant leasehold improvements over the term of the lease that have significant economic benefit to the Group's operation, the importance of the leased asset to the Group's operation and whether alternatives are available for the Group and business disruption required to replace the leased asset.

5.9. Biological Assets

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

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

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

5.10. Intangible Assets and Goodwill

Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 3- 10 years.

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

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

Goodwill

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

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

A CGU 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 CGU 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 5.15.2). Any impairment loss for goodwill is recognised directly in the Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

5. SIGNIFICANT ACCOUNTING POLICIES continued

5.11. Provisions

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

5.12. Zakat and Income Tax

Zakat is provided for in accordance with the Zakat, Tax and Customs Authority ("ZATCA") 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.

5.13. Deferred Tax

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised 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 recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

5.14. Financial Instruments

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

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

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

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 amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the Consolidated Statement of Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial Assets at FVOCI

The Group has elected to recognise changes in the fair value of investments in equity shares in OCI. These changes are accumulated within the 'other reserve' classified under equity. The Group may transfer this amount from other reserve to retained earnings when the relevant shares are derecognised.

Dividends from such investments continue to be recognised in the Consolidated Statement of Profit or Loss as other income when the Group's right to receive payments is established. Accumulated gains and losses on these financial assets are never recycled to the Consolidated Statement of Profit or Loss.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

5. SIGNIFICANT ACCOUNTING POLICIES continued

b) Non-Derivative Financial Liabilities

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

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

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

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

5.14.2. 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 recognised 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.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in 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 which 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 36. 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.

5.15. Impairment

5.15.1. 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 amortised cost and FVOCI.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised 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.

5.15.2. 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 CGU 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

5. SIGNIFICANT ACCOUNTING POLICIES continued

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Statement of Profit or Loss.

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

5.16. 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 employee retirement benefits 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 employee retirement benefit liability is performed by a qualified actuary using the projected unit credit method.

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

5.17. Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year until such reserve equals 30% of its share capital. This reserve is currently not distributable to the Shareholders.

5.18. 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.

5.19. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under Employee Equity Participation Programmes ("EEPP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

5.20. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of equity settled share-based payments under the EEPP, whereby employees render services as consideration for the equity instruments (options or shares) granted under EEPP as disclosed in note 17.

The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting conditions are fulfilled.

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

The cumulative expense recognised for EEPP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

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

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

5.21. Conversion of Foreign Currency Transactions

Foreign currency transactions are converted and recorded in SAR 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 SAR 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 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.

5.22. Revenue Recognition

The Group generates revenue from a number of product lines, these include:

- Dairy and Juice
- Bakery
- Poultry
- Other activities (horticulture and infant nutrition)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

5. SIGNIFICANT ACCOUNTING POLICIES continued

Revenue is recognised when there is a contract with a customer for the transfer of dairy and other related products across various product categories and geographical regions.

Revenue is recognised in the Consolidated Statement of Profit or Loss when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer, the amount of revenue can be measured reliably, and collection is probable. The transfer of control to customers takes place according to trade agreement terms.

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates.

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products based on historical experience. 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 months period. Revenue from these sales is recognised 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 recognised 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 recognised 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.

5.23. Government Grants

The Group receives government grants on import of feeds for its biological assets. 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.

5.24. 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.

5.25. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised 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.

5.26. 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 capitalised 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 recognised 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 capitalised borrowing costs reflect the hedged interest rate.

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

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

5.27. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's relevant Business Heads' (Chief Operating Decision Makers) 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 analysed 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 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 recognised 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;

The Group's dairy cow herd comprises both immature and mature livestock.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

6. USE OF JUDGEMENTS AND ESTIMATES continued

Immature livestock comprises dairy cows that are intended to be reared to maturity. These cows are held to produce milk or offspring but have not yet produced their first calf and begun milk production. Costs incurred in rearing immature livestock are capitalised to the statement of financial position. The directly attributable costs in bringing the asset to the location and condition necessary to be capable of operation include various components including but not limited to birth related charges, feed cost and labour charges.

Mature livestock includes dairy cows that have produced their first calf and begun milk production. Costs incurred in relation to mature livestock are recognised in the Consolidated Statement of Profit or Loss immediately as an expense.

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 on the fair value measurement hierarchies in the context of livestock valuation:

Level 1 - there is no active market for dairy cows in the 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 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.

Determination of Control: Management has considered the accounting treatment and the principles in IFRS 10 "Consolidated Financial Statements" and have determined that certain entities are controlled by Almarai. In determining the appropriate accounting treatment for these entities, management applied significant judgment.

If management's judgments were to change, this would result in the deconsolidation of these entities and instead would be treated as a joint arrangement or associate. These entities currently have consolidated assets and liabilities impacting the Consolidated Statement Financial Position and Consolidated Statement of Comprehensive Income (refer note 19).

The following are the key considerations and judgements applied by management in concluding that Almarai has control over these entities:

- The relevant activities associated with those entities include the ability to prepare and approve the annual budget. As the Group can appoint the majority of the Board of directors on these entities, this gives the Group the ability to unilaterally approve annual business plans and as such has power over the relevant activities. The approval of the 5 year business plan is considered protective and not substantive.
- The Group can appoint the key management personnel of these entities such as the Chief Executive Officer and Chief Financial Officer, etc.

As such the Group has the power and the ability to affect the variable returns and control such entities.

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 below;

a) **Goodwill - Annual impairment testing of goodwill:** Goodwill impairment tests are performed for the group of cash-generating units ("CGU") to which goodwill is allocated. The group of CGU is defined based on certain acquisitions and CGU's arising from those acquisitions. The structure and groups of CGU are assessed on an annual basis. The impairment test of goodwill is performed at least annually for each group of cash generating units to which goodwill is allocated. To determine the value in use, the discounted cash flow models are used.

The most important parameters in the impairment test include assumptions related to sales growth rate and pre-tax discount rates. Also refer to note 10 for sensitivity related to these assumptions for the respective CGU.

Expected future free cash flows: The projected free cash flows are based on current forecasts and targets set for five year period. These are determined at CGU level in the forecast and target planning process as well as based on external sources of information and industry-relevant observations such as macroeconomic indicators and market conditions. All applied assumptions are challenged through the forecast and target planning process based on management's best estimates and expectations, which are judgmental by nature. They include expectations regarding revenue growth, EBIT margins and capital expenditure.

b) **Measurement of employee retirement benefits liability - key actuarial assumptions:** Estimates are applied when setting actuarial assumptions such as the discount rate, expected future salary increases, inflation and mortality. The actuarial assumptions vary from country to country, based on national economic and social conditions. They are set using available market data and compared with benchmarks to ensure consistency on an annual basis (Refer note 21 for sensitivity related to employee retirement benefits liability).

c) **Dairy herd -** Average lactation cycle – Refer note 28.1

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7. PROPERTY, PLANT AND EQUIPMENT

					Bearer Plant		
	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in Progress* SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	Total SAR '000
Cost							
At 1 January 2021	14,541,352	15,995,588	2,884,542	472,216	232,080	24,290	34,150,068
Additions during the year	-	-	-	1,070,351	-	29,813	1,100,164
Purchase of Manufacturing Facility (Refer note 1)	159,977	59,207	185	-	-	-	219,369
Transfers during the year	76,675	297,268	144,489	(439,095)	25,335	(25,335)	79,337
Disposals during the year	(2,899)	(130,963)	(119,775)	-	(34,910)	-	(288,547)
Currency Translation Difference	2,112	3,096	545	197	43	15	6,008
At 31 December 2021	**14,777,217**	**16,224,196**	**2,909,986**	**1,103,669**	**222,548**	**28,783**	**35,266,399**
Accumulated Depreciation							
At 1 January 2021	3,005,479	8,180,796	1,664,133	-	186,756	-	13,037,164
Depreciation for the year	391,244	1,005,047	179,402	-	32,876	-	1,608,569
Disposals during the year	(2,033)	(120,200)	(97,321)	-	(34,910)	-	(254,464)
Currency Translation Difference	281	1,037	344	-	20	-	1,682
At 31 December 2021	**3,394,971**	**9,066,680**	**1,746,558**	**-**	**184,742**	**-**	**14,392,951**
Net Book Value At 31 December 2021	**11,382,246**	**7,157,516**	**1,163,428**	**1,103,669**	**37,806**	**28,783**	**20,873,448**

*Capital work-in-progress as at 31 December 2021 primarily represents cost incurred on updates of existing production facilities including automation of integrated warehouses which is expected to be completed during 2022. Also refer to note 34.3.

					Bearer Plant		
	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in Progress* SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	Total SAR '000
Cost							
At 1 January 2020	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
At 31 December 2020	**14,541,352**	**15,995,588**	**2,884,542**	**472,216**	**232,080**	**24,290**	**34,150,068**
Accumulated Depreciation							
At 1 January 2020	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
At 31 December 2020	**3,005,479**	**8,180,796**	**1,664,133**	**-**	**186,756**	**-**	**13,037,164**
Net Book Value At 31 December 2020	**11,535,873**	**7,814,792**	**1,220,409**	**472,216**	**45,324**	**24,290**	**21,112,904**

7.1. Capital Work-in-Progress includes SAR 12.3 million of borrowing costs capitalised during the year (2020: SAR 4.2 million). Average interest rate on borrowing as of 31 December 2021 is 2.9% per annum (2020: 3.1%).

7.2. Refer note 20 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:

	2021	2020
	SAR '000	SAR '000
Opening Balance	**606,939**	625,490
Addition	**-**	2,208
Amortisation	**(27,262)**	(20,759)
Closing Balance	**579,677**	606,939

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

9. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

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

	31 December 2021		31 December 2020	
	Depreciation SAR '000	Balance SAR '000	Depreciation SAR '000	Balance SAR '000
Land	**27,921**	**282,459**	27,706	232,379
Buildings	**71,167**	**165,271**	76,963	212,263
Vehicles	**2,210**	**846**	2,404	10,561
Equipments	**50**	**185**	75	235
Plant and Machinery	**1,389**	**15,943**	1,357	14,831
Total Right-of-Use Assets	**102,737**	**464,704**	**108,505**	**470,269**

Additions to Right-of-Use assets during the year ended 31 December 2021 are SAR 93.5 million (31 December 2020: SAR 94.1 million).

Lease liabilities as at year end are as follows:

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Non-Current portion of Lease Liabilities	**360,434**	330,980
Current portion of Lease Liabilities	**80,710**	94,509
Total Lease Liabilities	**441,144**	**425,489**

The total interest expense on lease liabilities recognized during the year ended 31 December 2021 is SAR 16.0 million (2020: SAR 18.0 million).

Expenses relating to short-term and low-value leases are SAR 31.3 million and SAR 2.8 million, respectively (2020: SAR 24.7 million and SAR 5.0 million, respectively).

The total cash outflow for leases in 2021 was SAR 101.1 million (2020: SAR 125.2 million).

10. INTANGIBLE ASSETS AND GOODWILL

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Software Licenses (Refer note 10.1)	**186,520**	275,313
Goodwill (Refer note 10.2)	**942,585**	942,329
	1,129,105	**1,217,642**

10.1 Software Licenses

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
Cost			
At 1 January 2021	417,845	125,230	543,075
Additions during the year	-	57,175	57,175
Transfers during the year	80,750	(160,087)	(79,337)
Disposals during the year	(239)	-	(239)
Currency Translation Difference	24	-	24
At 31 December 2021	**498,380**	**22,318**	**520,698**
Accumulated Amortization			
At 1 January 2021	267,762	-	267,762
Amortisation for the year	66,476	-	66,476
Disposals during the year	(73)	-	(73)
Currency Translation Difference	13	-	13
At 31 December 2021	**334,178**	**-**	**334,178**
Net Book Value At 31 December 2021	**164,202**	**22,318**	**186,520**

Cost			
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
At 31 December 2020	**417,845**	**125,230**	**543,075**
Accumulated Amortization			
At 1 January 2020	211,791	-	211,791
Amortisation for the year	56,681	-	56,681
Disposals during the year	(802)	-	(802)
Currency Translation Difference	92	-	92
At 31 December 2020	**267,762**	**-**	**267,762**
Net Book Value At 31 December 2020	**150,083**	**125,230**	**275,313**

Software licenses in progress include certain software under installation. This majorly includes externally acquired software and licenses.

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For the year ended 31 December 2021

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	HADCO	IDJ	Total
	SAR '000	SAR '000	SAR '000	SAR '000
Cost				
At 1 January 2021	548,636	244,832	477,043	1,270,511
Currency Translation Difference	-	-	256	256
At 31 December 2021	**548,636**	**244,832**	**477,299**	**1,270,767**
Accumulated Impairment				
At 1 January 2021	-	-	328,182	328,182
At 31 December 2021	**-**	**-**	**328,182**	**328,182**
Net Carrying Value At 31 December 2021	**548,636**	**244,832**	**149,117**	**942,585**
Cost				
At 1 January 2020	548,636	244,832	475,847	1,269,315
Currency Translation Difference	-	-	1,196	1,196
At 31 December 2020	**548,636**	**244,832**	**477,043**	**1,270,511**
Accumulated Impairment				
At 1 January 2020	-	-	328,182	328,182
At 31 December 2020	**-**	**-**	**328,182**	**328,182**
Net Carrying Value At 31 December 2020	**548,636**	**244,832**	**148,861**	**942,329**

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 CGU 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 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 pre-tax discount rate is applied to cash flow projections for respective CGUs that varies in the range of 9.0% to 13.0%. Terminal value is calculated using 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 pre-tax discount rate.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Sales growth rate	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Pre-tax discount rate	A discount rate, namely weighted average cost of capital (WACC), is applied for specific business areas based on assumptions regarding interest rates, tax rates and risk premiums and is recalculated to a before-tax rate ('Pre-tax discount rate').

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

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 5.2%. If all other assumptions kept the same; a reduction of this growth rate by 19.0% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

The Pre-tax discount rate in the forecast period has been estimated to be 9.0%. If all other assumptions kept the same; a reduction of this discount rate by 26.0% 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 2.8%. Keeping all other assumptions same; a reduction in growth rate by 75.0% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

Changes in the value in use calculations for HADCO are not sensitive to material changes in pre-tax discount rate.

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 10.0%. If all other assumptions kept the same; a reduction of this growth rate by 17.0% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

The Pre-tax discount rate in the forecast period has been estimated to be 13.0%. If all other assumptions kept the same; a reduction of this discount rate by 16.0% would give a value in use equal to the current carrying amount.

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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	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 1 January 2021	1,884,914	159,281	67,871	-	2,112,066
Additions during the year*	687,699	134,396	1,352,788	-	2,174,883
Transfers to inventories	-	-	(1,325,836)	-	(1,325,836)
Disposals during the year	(614,314)	(90,541)	(1,680)	-	(706,535)
Currency Translation Difference	18	-	-	-	18
At 31 December 2021	**1,958,317**	**203,136**	**93,143**	**-**	**2,254,596**
Accumulated Depreciation					
At 1 January 2021	555,732	96,384	-	-	652,116
Depreciation for the year	270,780	89,461	-	-	360,241
Disposals during the year	(241,248)	(78,747)	-	-	(319,995)
Currency Translation Difference	7	-	-	-	7
At 31 December 2021	**585,271**	**107,098**	**-**	**-**	**692,369**
Net Book Value At 31 December 2021	**1,373,046**	**96,038**	**93,143**	**-**	**1,562,227**
Measured at Fair Value					
At 1 January 2021	-	-	-	22,324	22,324
Additions during the year	-	-	-	626,197	626,197
Transfers to inventories	-	-	-	(624,844)	(624,844)
Gain arising from changes in Fair Value less Cost to Sell	-	-	-	1,142	1,142
Currency Translation Difference	-	-	-	18	18
At 31 December 2021	**-**	**-**	**-**	**24,837**	**24,837**
Carrying Amount At 31 December 2021	**-**	**-**	**-**	**24,837**	**24,837**
Biological Assets Classification:					
At 31 December 2021					
Biological assets classified as Non-Current Assets	1,373,046	96,038	-	-	1,469,084
Biological assets classified as Current Assets	-	-	93,143	24,837	117,980
	1,373,046	**96,038**	**93,143**	**24,837**	**1,587,064**

*Additions include Biological Assets appreciation amounting to SAR 687.6 million.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
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
At 31 December 2020	**1,884,914**	**159,281**	**67,871**	**-**	**2,112,066**
Accumulated Depreciation					
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
At 31 December 2020	**555,732**	**96,384**	**-**	**-**	**652,116**
Net Book Value At 31 December 2020	**1,329,182**	**62,897**	**67,871**	**-**	**1,459,950**
Measured at Fair Value					
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
At 31 December 2020	**-**	**-**	**-**	**22,324**	**22,324**
Carrying Amount At 31 December 2020	**-**	**-**	**-**	**22,324**	**22,324**

Biological Assets Classification:					
At 31 December 2020					
"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
	1,329,182	**62,897**	**67,871**	**22,324**	**1,482,274**

*Additions include Biological Assets appreciation amounting to SAR 644.4 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 2021

11. BIOLOGICAL ASSETS continued

Agricultural Risk Management:

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

a) Failure to secure long-term production of fodder

Fodder production has been strategically shifted overseas/outside Saudi Arabia 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. Saudi Arabia's 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 program 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 2021	31 December 2020	31 December 2021	31 December 2020
				%	%	SAR '000	SAR '000
Investments in Associate and Joint Venture							
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%**	49.0%	**88,545**	89,419
						88,749	89,623

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	%	%	SAR '000	SAR '000
Equity Investment (Refer note 12.2 and 12.3)				
Mobile Telecommunications Company Saudi Arabia - ("Zain")	**0.4%**	1.1%	**46,894**	129,734

12.1. Movement in the investment in associate is as follows:

	2021	2020
	SAR '000	SAR '000
Opening balance	89,419	87,825
Share of Results for the year	(941)	1,405
Currency Translation Difference	67	189
Closing balance	88,545	89,419

12.2. Movement in equity investment is as follows:

	2021	2020
	SAR '000	SAR '000
Opening balance	129,734	145,684
Change in Fair Value of Equity Investment though FVOCI	(1,902)	(15,950)
Equity Investment disposed during the year	(80,938)	-
Closing balance	46,894	129,734

12.3. During the year ended 31 December 2021, the Group sold 5.6 million of its shares in Zain for cash consideration of SAR 80.9 million. The remaining equity investment of 3.9 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Exchange ("Tadawul").

12.4. On 23 March 2021, the pledge on Zain shares in connection with a loan securitization carried out in prior periods from Bank Saudi Fransi to Zain was released.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

13. INVENTORIES

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Raw Materials	**3,450,070**	3,830,933
Finished Goods	**540,291**	542,838
Spares	**575,809**	588,549
Work in Progress	**205,865**	167,788
Total Inventories	**4,772,035**	5,130,108
Allowance for Slow Moving Inventories (Refer note 13.1)	**(418,439)**	(424,744)
Total	**4,353,596**	**4,705,364**

13.1. Movement in the allowance for slow moving inventories:

	2021	2020
	SAR '000	SAR '000
Opening balance	**424,744**	392,074
Allowance made during the year	**4,525**	61,570
Written off during the year	**(10,830)**	(28,900)
Closing balance	**418,439**	424,744

13.2. 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.

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Trade Receivables - Third Parties	**1,311,683**	1,114,821
- Related Parties (Refer Note 35)	**230,823**	276,782
	1,542,506	1,391,603
Less: Allowance for impairment of trade receivables (Refer note 37.2)	**(138,738)**	(115,387)
Net Trade Receivables	**1,403,768**	1,276,216
Prepayments	**411,193**	393,393
Government Grants	**97,658**	159,486
Other Receivables	**78,586**	107,246
	1,991,205	1,936,341
Ageing of Trade Receivables		
Up to 2 months	**1,220,049**	1,185,506
2 - 3 months	**96,443**	83,242
More than 3 months	**226,014**	122,855
	1,542,506	1,391,603

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

	2021	2020
	SAR '000	SAR '000
At the beginning of the year	**115,387**	91,510
Allowance made during the year (Refer note 14.3)	**23,351**	23,877
At the end of the year	**138,738**	115,387

14.2. Trade receivables disclosed above are classified as financial assets at amortised cost.

14.3. It includes SAR 5.7 million trade receivables written off during the year (2020: SAR 1.1 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.

14.4. The credit terms of the trade receivables vary across the business segments of the Group and therefore any significant change in product-mix also affects the ageing profile of trade receivables accordingly.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

15. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Cash at Bank - Current accounts	**536,189**	469,428
Cash at Bank - Deposits (Refer note 15.1)	**919**	5,808
Cash in Hand	**43,805**	28,274
	580,913	503,510

15.1. The average rate on bank deposits during 2021 is 0.49% (2020: 0.45%) per annum with an average maturity of less than a month.

16. SHARE CAPITAL

The Company's share capital at 31 December 2021 amounted to SAR 10,000 million (2020: SAR 10,000 million), consisting of 1,000 million (2020: 1,000 million) fully paid and issued shares of SAR 10 each.

17. EMPLOYEE EQUITY PARTICIPATION PROGRAMS

17.1 Employee Stock Option Program ("ESOP"):

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 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 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 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

17. EMPLOYEE EQUITY PARTICIPATION PROGRAMS continued

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

	2021	2020
At the beginning of the year	**11,263,069**	10,838,058
Granted during the year	**-**	4,033,000
Settled during the year	**(517,992)**	(2,125,989)
Forfeited during the year	**(745,077)**	(1,482,000)
At the end of the year	**10,000,000**	11,263,069

17.2 Employee Share Plan ("ESP"):

Under the ESP, the equity instruments (the shares) are granted to the eligible employees for equity ownership (treasury shares) under the same terms and conditions as mentioned above for ESOP. The fair value i.e., SAR 46.75 per award is determined using the market price of the Company's share at the grant date.

The ESP 2021 was granted in Rabi Al-Akhar 1443 A.H. (November 2021). The number of shares shall not exceed 750,000 shares.

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

	2021
At the beginning of the year	**-**
Granted during the year	**750,000**
At the end of the year	**750,000**

17.3 The following table shows movement of treasury shares acquired / settled during the year:

	2021	2020
	SAR '000	**SAR '000**
At the beginning of the year	**906,594**	770,740
Acquired during the year	**-**	250,461
Disposed off on exercise of options	**(31,437)**	(114,607)
At the end of the year	**875,157**	906,594

18. OTHER RESERVES

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Hedging Reserve	**43,027**	(46,160)
Currency Translation Reserve	**560,705**	565,245
Others (Refer note 18.1)	**18,657**	(75,214)
Net Debit Balance	**622,389**	443,871

18.1. Others include movement for balances related to equity investment SAR 1.9 million, purchase of additional stake in MFI SAR 102.7 million, share based payment expenses SAR 20.4 million and settlement of treasury shares SAR 8.7 million.

19. NON-CONTROLLING INTERESTS

Below summarized aggregate financial information substantially relates to a subsidiary of the Group for which critical judgment relating to the determination of control has been disclosed in note 6.1. The summarized financial information below represents amounts before intragroup eliminations.

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Non-current assets	**1,726,087**	1,782,382
Current assets	**874,168**	671,106
Non-current liabilities	**563,362**	580,692
Current liabilities	**801,049**	630,433
Equity attributable to owners of the Company	**1,235,844**	1,242,363
Non-Controlling Interests	**498,919**	546,771
Revenue	**3,009,037**	2,545,783
Expenses	**(2,920,297)**	(2,627,113)
Loss for the year	**88,740**	(81,330)
Net Profit / (Loss) attributable to:		
Owners of the Company	**72,847**	(32,525)
Non-Controlling Interests	**15,893**	(48,805)
Total Comprehensive Income / (Loss) attributable to:		
Owners of the Company	**73,602**	(21,174)
Non-Controlling Interests	**16,916**	(42,371)
Total Comprehensive Income / (Loss) for the year	**90,518**	(63,545)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

20. LOANS AND BORROWINGS

		31 December 2021	31 December 2020
	Notes	SAR '000	SAR '000
Islamic Banking Facilities (Murabaha)	20.1	**3,892,358**	4,416,610
Saudi Industrial Development Fund	20.2	**1,417,673**	2,421,231
Banking Facilities of Non-GCC Subsidiaries	20.3	**397,534**	358,541
Supranational	20.4	**368,683**	272,714
Agricultural Development Fund	20.5	**122,250**	142,828
		6,198,498	7,611,924
Sukuk	20.6	**1,608,861**	1,608,575
International Sukuk	20.6	**1,896,479**	1,894,469
		9,703,838	11,114,968
Short Term Loans		**135,857**	55,436
Current Portion of Long Term Loans		**2,495,741**	970,577
Loans - Current Liabilities		**2,631,598**	1,026,013
Loans - Non-Current Liabilities		**7,072,240**	10,088,955
		9,703,838	11,114,968

20.1. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group and are denominated in SAR. 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 2021, the Group did not enter into new Islamic Banking facilities (2020: Nil). As at 31 December 2021, SAR 5,631.4 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than three years (2020: SAR 5,435.0 million).

20.2. The borrowings of the Group from the Saudi Industrial Development Fund ("SIDF"), denominated in SAR, are secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. As at 31 December 2021, the Group had no unutilised SIDF facilities available for drawdown (2020: Nil). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

20.3. These banking facilities of Non-GCC subsidiaries represent foreign currency denominated borrowings, including USD, EGP and JOD 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 2021, SAR equivalent 320.5 million (2020: SAR 451.9 million) facilities were unutilised and available for drawdown.

20.4. 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 2021, the Group had SAR 513.9 million of unutilised facility available for drawdown (2020: SAR 656.7 million).

20.5. The borrowing from Agricultural Development Fund ("ADF"), denominated in SAR, is secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. As at 31 December 2021, the Group had no unutilised ADF facilities available (2020: Nil). Assets mortgaged are subject to the restriction of disposal until the loan is settled or the disposal is approved by ADF.

20.6. 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).

20.7. 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 2021, 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 2021

21. EMPLOYEE RETIREMENT BENEFITS

	2021	2020
	SAR '000	SAR '000
Opening Balance	**909,353**	826,399
Consolidated Statement of Profit or Loss		
Current Service Cost	**101,197**	95,224
Interest Cost	**15,918**	23,861
Consolidated Statement of Comprehensive Income		
Actuarial Loss	**4,929**	25,459
Cash Movements:		
Benefits paid	**(79,570)**	(61,590)
Closing Balance	**951,827**	909,353

		2021	2020
		SAR '000	SAR '000
Sensitivity in Employee Retirement Benefits Liability			
Salary Inflation	1% Decrease	**902,909**	876,679
	Base	**951,827**	909,353
	1% Increase	**1,006,789**	946,646
Discount Rate	1% Decrease	**1,019,859**	978,865
	Base	**951,827**	909,353
	1% Increase	**892,560**	849,585

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 recognised in the Consolidated Statement of Financial Position.

Demographic Assumptions

	2021	2020
	SAR '000	SAR '000
GCC employees		
Number of Employees	**34,670**	36,869
Weighted average age of employees (years)	**38**	34
Weighted average years of past service	**7**	6

Weighted average duration of the employee retirement benefit liability is 6.7 years.

	Gross Discount Rate		Salary Growth Rate	
Country	**2021**	**2020**	**2021**	**2020**
Saudi Arabia	**2.2%**	1.7%	**2.2%**	1.7%
United Arab Emirates	**2.2%**	1.5%	**2.2%**	1.5%
Oman	**4.9%**	4.9%	**4.9%**	4.9%
Kuwait	**2.8%**	1.4%	**2.8%**	1.4%
Bahrain	**4.6%**	3.6%	**4.6%**	3.6%

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 of Undiscounted Cash Flows

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	SAR '000	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**
31 December 2021					
Employee Retirement Benefits	129,238	139,571	349,725	1,292,503	1,911,037
31 December 2020					
Employee Retirement Benefits	114,934	128,297	317,733	1,462,982	2,023,946

22. DEFERRED TAX

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

22.1. Deferred Tax Assets

	2021	2020
	SAR '000	**SAR '000**
Opening Balance	**35,517**	40,836
Increase / (Decrease) during the year	**9,982**	(5,815)
Currency Translation Difference	**(160)**	496
Closing Balance	**45,339**	35,517

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

Notes to the Consolidated Financial Statements continued

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22. DEFERRED TAX continued

22.2. Deferred Tax Liabilities

	2021	2020
	SAR '000	SAR '000
Opening Balance	**102,139**	103,328
Increase / (Decrease) during the year	**14,699**	(1,514)
Currency Translation Difference	**464**	325
Closing Balance	**117,302**	102,139

Deferred tax liability of SAR 117.3 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.

23. ZAKAT AND INCOME TAX

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Zakat Provision (Refer note 23.1)	**429,988**	371,993
Income Tax Provision (Refer note 23.2)	**17,264**	26,311
	447,252	398,304

23.1. Zakat Provision

Zakat is charged at the higher of net adjusted income or Zakat base as required by the ZATCA. The key elements of zakat base primarily include equity components, net income and liabilities adjusted for zakat purpose. 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.

	2021	2020
	SAR '000	SAR '000
Opening Balance	**371,993**	363,488
Charge for the year	**77,080**	72,042
Payments	**(19,085)**	(63,537)
Closing Balance	**429,988**	371,993

The Company filed its Consolidated Zakat returns for all the years up to 2020 and settled its Zakat liabilities accordingly. The Zakat assessments for all the years up to 2014 for Almarai Company have been closed with the ZATCA. For MFI, zakat and income tax assessments for the years up to 2015 and 2018 have been closed with ZATCA and the assessments specifically relating to the years 2016 and 2017 are still open. During 2021, the Group received assessment orders for Almarai Company for the years from 2015-2020. Appeals against the assessments order for the years 2015-2018 have been filed and are under review as at 31 December 2021. Management believes that the decisions on appeal against the open years' assessments will not result in material amounts that are in addition to what have already been recorded in the Consolidated Financial Statements.

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 ZATCA for all years up to 2007 while the 2008 Zakat return is under review by the ZATCA. From 2009 onwards, HADCO is not required to file a separate return as its results are included in the Company's Consolidated Zakat return.

23.2. Income Tax Provision

	2021	2020
	SAR '000	SAR '000
Opening Balance	**26,311**	31,578
Charge for the year	**6,617**	15,959
Payments	**(15,664)**	(21,226)
Closing Balance	**17,264**	26,311

Foreign subsidiaries filed their tax returns for all years up to 2020 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.

The difference between effective tax rate and accounting rate is not considered significant.

24. TRADE AND OTHER PAYABLES

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

		31 December 2021	31 December 2020
		SAR '000	SAR '000
Trade Payable	- Third Parties	**1,318,677**	1,190,951
	- Related Parties (Refer note 35)	**5,582**	6,404
Accrued Expenses (Refer note 24.1)		**1,518,690**	1,389,787
Other Payables		**496,547**	427,692
		3,339,496	3,014,834

24.1. Accrued expenses include accrual against volume discounts amounting to SAR 320.8 million (2020: SAR 294.5 million), payroll related accrual amounting to SAR 304.7 million (2020: SAR 296.1 million) and accrual against expected sales returns amounting to SAR 63.0 million (2020: SAR 46.1 million). Other payables include unrecognised 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 2021

25. COST OF SALES

	2021	2020
	SAR '000	SAR '000
Material Consumed	**6,837,845**	5,961,349
Government Grants	**(272,103)**	(428,722)
Employee Costs	**1,680,742**	1,727,900
Depreciation of Property, Plant and Equipment	**1,362,511**	1,350,058
Repairs and Maintenance	**597,530**	560,420
Depreciation of Biological Assets	**360,241**	349,178
Telephone and Electricity	**335,188**	324,956
Vaccines and Drugs	**143,534**	141,277
Amortisation of Software Licenses	**41,014**	27,981
Depreciation of Right-of-Use Assets	**30,287**	33,002
Amortisation of Long-term Prepayments (Refer note 8)	**27,262**	20,759
Other Expenses	**334,045**	397,719
Less:		
Appreciation of Biological Assets (Refer note 11)	**(687,646)**	(644,437)
	10,790,450	9,821,440

26. SELLING AND DISTRIBUTION EXPENSES

	2021	2020
	SAR '000	SAR '000
Employee Costs	**1,531,939**	1,545,099
Marketing Expenses	**352,803**	332,613
Depreciation of Property, Plant and Equipment	**228,223**	230,531
Repairs and Maintenance	**179,447**	155,419
Depreciation of Right-of-Use Assets	**62,740**	64,772
Telephone and Electricity	**23,046**	23,152
Amortisation of Software Licenses	**4,970**	5,252
Other Expenses	**135,683**	133,641
	2,518,851	2,490,479

27. GENERAL AND ADMINISTRATION EXPENSES

	2021	2020
	SAR '000	SAR '000
Employee Costs	**244,356**	244,632
Insurance	**85,957**	77,175
Repairs and Maintenance	**38,763**	23,808
Amortisation of Software Licenses	**20,492**	23,448
Depreciation of Property, Plant and Equipment	**17,835**	19,819
Depreciation of Right-of-Use Assets	**9,710**	10,731
Telephone and Electricity	**3,910**	3,080
Other Expenses	**7,134**	17,097
	428,157	419,790

28. OTHER EXPENSES, NET

	2021	2020
	SAR '000	SAR '000
Loss on Disposal of Biological Assets (Refer note 28.1)	**135,875**	170,077
Gain on Disposal of Property, Plant and Equipment	**(6,221)**	(26,607)
Exchange Gain	**(41,602)**	(24,258)
Net Gain on Disposal of Right-of-Use Assets	**(1,177)**	(18,792)
Gain on Sale of Right Issue of Equity Investment	**-**	(15,279)
Net Gain on settlement of Insurance Claim	**-**	(5,570)
Dividend on Equity Investment	**(300)**	(180)
Other Income	**(1,012)**	(963)
	85,563	78,428

28.1. Each cow within the dairy herd is depreciated over the average useful life of approximately 4 lactations (Refer note 5.9). 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.

Notes to the Consolidated Financial Statements continued

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29. FINANCE COST, NET

	2021	2020
	SAR '000	SAR '000
Interest and Finance Charges	**359,190**	464,408
Interest on Lease Liabilities	**15,966**	18,002
Interest Income on other Deposits	**(3,796)**	(8,677)
Exchange (Gain) / Loss	**(18,133)**	18,507
Interest Capitalisation	**(12,348)**	(4,246)
Net Loss on Settlement of Interest Rate Swap Instrument	**5,184**	7,887
	346,063	495,881

30. EARNINGS PER SHARE

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

	2021	2020
Profit for the year attributable to the shareholders of the Company SAR '000'	**1,563,543**	1,984,361
Number of shares '000'		
Weighted average number of ordinary shares for the purposes of basic earnings	**981,559**	980,708
Weighted average number of ordinary shares repurchased	**18,441**	19,292
Weighted average number of ordinary shares for the purposes of diluted earning	**1,000,000**	1,000,000
"Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company"		
- Basic	**1.59**	2.02
- Diluted	**1.56**	1.98

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.

31. 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 2021 and 31 December 2020, and for the years then ended, categorised by these business segments, is as follows:

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

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2021					
Revenue	11,202,470	1,788,862	2,301,459	1,075,536	16,368,327
Third Party Revenue	11,141,325	1,788,862	2,301,459	618,074	15,849,720
Depreciation and Amortisation	(1,427,956)	(207,580)	(337,184)	(192,565)	(2,165,285)
Share of Results of Associate and Joint Venture	-	-	-	(941)	(941)
Profit / (Loss) attributable to Shareholders of the Company	1,214,992	218,002	214,985	(84,436)	1,563,543
Profit / (Loss)	1,220,186	226,199	217,487	(84,436)	1,579,436
Total Assets	**21,287,251**	**1,998,297**	**5,548,292**	**2,920,462**	**31,754,302**
Total Liabilities	**13,404,191**	**443,640**	**616,534**	**671,524**	**15,135,889**
31 December 2020					
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 Amortisation	(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
Total Assets	**21,716,476**	**2,139,323**	**5,473,469**	**3,015,038**	**32,344,306**
Total Liabilities	**14,207,258**	**430,518**	**802,328**	**670,523**	**16,110,627**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

31. 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 analysed 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 analysed based on the operations of the segment. The Group's management does not analyse total assets based on its geographical location and therefore country-wise total assets are not disclosed in these Consolidated Financial Statements.

The revenue from business segments categorised by geographical region is as follows:

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2021					
Saudi Arabia	6,735,224	1,428,420	1,903,967	155,151	10,222,762
Other GCC Countries	2,474,912	341,294	280,205	24,937	3,121,348
Other Countries	1,931,189	19,148	117,287	437,986	2,505,610
Total	**11,141,325**	**1,788,862**	**2,301,459**	**618,074**	**15,849,720**
31 December 2020					
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
Total	**10,923,680**	**1,711,952**	**2,292,779**	**428,537**	**15,356,948**

32. BANK OVERDRAFT

It represents the overdraft facility arrangement in IDJ (Egypt and Jordan) amounting to SAR 235.5 million (2020: SAR 253.0), secured by corporate guarantee given by the Shareholders. The average rate on overdraft facility during 2021 was 9.5% and 6.0% per annum for Egypt and Jordan respectively (2020: 9.8% and 6.5%).

33. CASH FLOW INFORMATION

Non-cash Investing and Finance Activities

Borrowing Cost Capitalised as part of Capital Work-in-Progress (Refer note 7).
Acquisition of Right-of-Use-Assets (Refer note 9).

34. COMMITMENT AND CONTINGENCIES

34.1. The contingent liabilities against letters of credit are SAR 173.6 million at 31 December 2021 (2020: SAR 171.1 million).

34.2. The contingent liabilities against letters of guarantee are SAR 1.4 billion at 31 December 2021 (2020: SAR 1.0 billion). Contingent liabilities against letters of guarantee expire as follows.

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Within one year	**461,843**	887,846
Two to five years	**759,263**	26,895
After five years	**201,540**	118,298
Total	**1,422,646**	1,033,039

34.3. The Group had capital commitments amounting to SAR 830.1 million at 31 December 2021 in respect of ongoing projects (2020: SAR 716.9 million). The majority of the capital commitments are for updating the existing production facilities, sales depot development, distribution fleet, fridges and IT equipment.

34.4. Refer to note 23.1 for Zakat related matters.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS

35.1. During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2021 along with their balances:

	Transaction Amount		Balance at	
Nature of Transaction	2021 SAR '000	2020 SAR '000	31 December 2021 SAR '000	31 December 2020 SAR '000
Sales To				
Panda Retail Company	731,026	730,416	132,001	185,685
Afia International Company	2,249	7,947	531	-
Herfy Food Services	-	3,799	-	1,175
Abdullah Al Othaim Markets*	491,769	451,753	98,291	89,922
Total	**1,225,044**	**1,193,915**	**230,823**	**276,782**
Purchases From				
United Sugar Company	57,633	38,373	(4,845)	(3,296)
Maria Fondomonte S.A.	26,962	70,680	(462)	(1,048)
	84,595	**109,053**	**(5,307)**	**(4,344)**
Services From				
Arabian Shield Cooperative Insurance Company	162,054	153,791	(275)	(2,060)
Saudi Telecommunication Company - STC	25,194	17,075	-	-
Zain	7,390	4,901	-	-
	194,638	175,767	(275)	(2,060)
Subtotal	**279,233**	**284,820**	**(5,582)**	**(6,404)**
Finance Charges				
Saudi British Bank	5,512	8,969	(1,587)	(1,660)
Banque Saudi Fransi	2,042	3,207	(588)	(615)
Saudi National Bank	9,187	7,286	(2,644)	(1,229)
	16,741	**19,462**	**(4,819)**	**(3,504)**
Bank Financing				
Saudi British Bank	26,685	34,482	(1,042,002)	(1,274,062)
Banque Saudi Fransi	2,352	3,456	-	-
Saudi National Bank	14,586	23,998	(590,625)	(800,000)
	43,623	**61,936**	**(1,632,627)**	**(2,074,062)**

During Dec 2021 the entity became a related party for the Group. The disclosed transactions reflect the total amount of trading activity carried out during 2021 and 2020 and the related balance as at 31 December for such years.

35.2. Sales and purchases (including services) carried out to/from related parties during the year based on the price lists in force and terms that would be available to third parties in the normal course of business. Terms and conditions related to loan financing arrangements have been disclosed in note 20 and they carry interest charges at market rates. All other transactions were made on normal commercial terms and conditions based on prevailing market rates.

35.3. Bank financing movement is as follows:

	2021	2020
	SAR '000	SAR '000
Opening Balance	**2,074,062**	2,331,861
Drawdown during the year	**7,723,813**	3,420,000
Repayment during the year	**(8,165,248)**	(3,677,799)
Closing Balance	**1,632,627**	2,074,062

35.4. The related parties, other than subsidiaries, include the following:

Entity	Relationship
Panda Retail Company	Common Ownership and Directors of Almarai Group
Afia International Company	Common Ownership and Directors of Almarai Group
Herfy Food Services	Common Ownership and Directors of Almarai Group
United Sugar Company	Common Ownership and Directors of Almarai Group
Abdullah Al Othaim Markets	Key Management Personnel
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
Saudi National Bank	Common Directorship

35.5. 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:

	Non Executive / Independent Board Members	Key Management Personnel	Total	Non Executive / Independent Board Members	Key Management Personnel	Total
	31 December 2021 SAR '000			31 December 2020 SAR '000		
Salaries and Compensation	500	7,707	8,207	500	9,604	10,104
Allowances	1,679	2,441	4,120	1,905	2,631	4,536
Annual and Periodic Bonuses	-	6,582	6,582	-	12,351	12,351
Termination Benefits	-	-	-	-	4,000	4,000
Shared Based Payment Transactions	-	1,087	1,087	-	779	779
In-kind Benefits	-	690	690	-	510	510
Other Benefits	1,600	5,952	7,552	1,800	2,219	4,019
Total	**3,779**	**24,459**	**28,238**	**4,205**	**32,094**	**36,299**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

36. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2021, 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 2021, the Group had 10 commission rate swap agreements in place with a total notional amount of SAR 1 billion. 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.

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

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

The Group enters 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 application of hedge accounting effectively results in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory and PPE at the fixed foreign currency rate for the hedged purchases.

The following table detail 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
31 December 2021				
Forward currency contracts	1,885,704	1,917,077	683	56,391
Interest rate swaps	-	1,000,000	2,011	244
Commodity Derivatives	184,889	-	10,914	-
	2,070,593	**2,917,077**	**13,608**	**56,635**
31 December 2020				
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
	4,567,891	**936,713**	**54,189**	**8,028**

37. FINANCIAL INSTRUMENTS

37.1. 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 categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS continued

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 Instruments SAR '000	FVOCI SAR '000	Total SAR '000	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
31 December 2021							
Financial Assets							
Derivative Financial Instruments	13,608	-	13,608	-	13,608	-	13,608
Equity Investment	-	46,894	46,894	46,894	-	-	46,894
Financial Liabilities							
Derivative Financial Instruments	**56,635**	**-**	**56,635**	**-**	**56,635**	**-**	**56,635**
31 December 2020							
Financial Assets							
Derivative Financial Instruments	54,189	-	54,189	-	54,189	-	54,189
Equity Investment	-	129,734	129,734	129,734	-	-	129,734
Financial Liabilities							
Derivative Financial Instruments	**8,028**	**-**	**8,028**	**-**	**8,028**	**-**	**8,028**

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.

37.2. 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.

The group's risk management is predominantly centralized under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board approves the overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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 2021	31 December 2020
	SAR '000	SAR '000
Cash at Bank	**537,108**	475,236
Trade Receivables - Third Parties	**1,172,945**	999,434
Trade Receivables - Related Parties	**230,823**	276,782
Derivative Financial Instruments	**13,608**	54,189
Other Receivables	**78,586**	107,246
	2,033,070	1,912,887

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 59.6% in KSA, 27.6% in GCC (other than KSA) and 12.8% in other Countries. The five largest customers account approximately for 32% of outstanding trade receivables at 31 December 2021.

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.

Notes to the Consolidated Financial Statements continued

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37. FINANCIAL INSTRUMENTS continued

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 2021			
	Carrying Amount SAR '000	On Demand or less than 1 year SAR '000	1 year to 5 years SAR '000	More than 5 years SAR '000
Non Derivative Financial Liabilities				
Bank Overdrafts	78,395	87,541	-	-
Loans and Borrowings	9,703,838	2,730,293	6,029,732	1,307,717
Trade and other payables	3,333,914	3,333,914	-	-
Trade Payables to Related Parties	5,582	5,582	-	-
Lease Liabilities	441,144	91,067	195,168	304,338
	13,562,873	**6,248,397**	**6,224,900**	**1,612,055**
Derivative Financial Liabilities				
Forward currency contracts	56,391	46,350	10,041	-
Interest rate swaps	244	244	-	-
	56,635	**46,594**	**10,041**	**-**

	31 December 2020			
	Carrying Amount SAR '000	On Demand or less than 1 year SAR '000	1 year to 5 years SAR '000	More than 5 years SAR '000
Non Derivative Financial Liabilities				
Bank Overdrafts	137,512	145,205	-	-
Loans and Borrowings	11,114,968	1,067,053	7,897,011	2,595,502
Trade and other payables	3,008,430	3,008,430	-	-
Trade Payables to Related Parties	6,404	6,404	-	-
Lease Liabilities	425,489	94,430	198,376	276,219
	14,692,803	**4,321,522**	**8,095,387**	**2,871,721**
Derivative Financial Liabilities				
Forward currency contracts	6,348	2,591	3,757	-
Interest rate swaps	696	696	-	-
Commodity Derivatives	984	984	-	-
	8,028	**4,271**	**3,757**	**-**

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 optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

Commission Rate Risk:

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), International Finance Corporation facility and other banking facilities of non-GCC subsidiaries and Sukuk amounting to SAR 5,069.5 million at 31 December 2021 (2020: SAR 4,692.0 million) bear variable financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission rate. Currently, 50% of the total outstanding borrowings at 31 December 2021 are at fixed commission rate. Further variable borrowing carry commission rate at prevailing market rates indexed to SIBOR/LIBOR.

The swap contracts require settlement of net interest receivable or payable every 90 or 180 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

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
31 December 2021	SAR	+100	50,695
	SAR	-100	(50,695)
31 December 2020	SAR	+100	(46,920)
	SAR	-100	46,920

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.

Notes to the Consolidated Financial Statements continued

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37. FINANCIAL INSTRUMENTS continued

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item.

The sensitivity of the commodity prices to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 31.0 million. There is no direct impact on the Group's equity.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD"), Arab Emirates Dirham ("AED"), Omani Riyal ("OMR") and Jordanian Dinars ("JOD"). The Group is not exposed to foreign currency fluctuation risk arising from the BHD, AED, OMR and JOD as these are pegged to USD. The fluctuation in exchange rates against 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:

	KWD	EGP	EUR	GBP	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2021					
Cash at Bank	26,092	60,927	10,227	2,286	99,532
Cash in Hand	560	54	70	38	722
Trade Receivables	103,805	19,659	-	-	123,464
Bank Overdrafts	-	(14,256)	-	-	(14,256)
Short term Borrowings	-	(69,029)	-	-	(69,029)
Long Term Borrowings	-	(215,680)	(159,020)	-	(374,700)
Trade Payables	(3,267)	(110,975)	(146,589)	(6,333)	(267,164)
Net Statement of Financial Position exposure	**127,190**	**(329,300)**	**(295,312)**	**(4,009)**	**(501,431)**

	KWD	EGP	EUR	GBP	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2020					
Cash at Bank	18,006	65,231	3,430	7,616	94,283
Cash in Hand	5,967	229	95	48	6,339
Trade Receivables	91,786	22,377	-	-	114,163
Bank Overdrafts	-	(53,370)	-	-	(53,370)
Short term Borrowings	-	(77,287)	-	-	(77,287)
Long Term Borrowings	-	(186,773)	(200,062)	-	(386,835)
Trade Payables	(1,549)	(88,329)	(175,928)	(7,141)	(272,947)
Net Statement of Financial Position exposure	**114,210**	**(317,922)**	**(372,465)**	**523**	**(575,654)**

The Group uses forward currency contracts to eliminate volatility in currency exposures. Management believes that the currency risk for forecast payments and capital expenditure is adequately managed primarily through entering into foreign currency forward purchase agreements. The Group treasury's risk management policy is to hedge between 65% to 90% of forecast non-pegged USD cash flows for accounts payable and capital expenditure purchases up to one year in advance, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2021, approximately 90% of forecast payments and capital expenditures were hedged in respect of foreign currency risk. The hedge of forecast payments and capital expenditures qualified as 'highly probable' qualified forecast transactions for hedge accounting purposes. The forward purchase agreements are secured by promissory notes given by the Group. The sensitivity of the currency to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 25.3 million

A strengthening / (weakening) of the 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 2021	31 December 2020
	SAR '000	SAR '000
KWD	**12,719**	11,421
EGP	**(32,930)**	(31,792)
EUR	**(29,531)**	(37,247)
GBP	**(401)**	52
	(50,143)	(57,566)

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the Consolidated Statement of Financial Position, less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS continued

37.3. 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 denominated long-term loans, amounting to SAR 396.4 million, 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 program 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.

38. DIVIDEND APPROVED AND PAID

On 1 Ramadan 1442 A.H. (13 April 2021) the shareholders in their Extraordinary General Assembly Meeting approved dividends of SAR 1 billion (SAR 1 per share) for the year ended 31 December 2020 out of which SAR 978.1 million was paid on 9 Ramadan 1442 A.H. (21 April 2021). No dividend was paid relating to treasury shares.

39. DIVIDEND PROPOSED

The Board of Directors have proposed, for shareholders' approval at the General Assembly Meeting, a dividend of SAR 1.0 billion (SAR 1 per share) for the year ended 31 December 2021.

40. 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 except below:

On 12 January 2022, the Group obtained the required substantive regulatory approvals and settled the consideration. Accordingly, the acquisition of Bakemart related terms and conditions were met on 12 January 2022. This acquisition is considered as a non-adjusting subsequent event and the accounting implication of this transaction has not been reflected in these consolidated financial statements.

41. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 20 Jumada Al-Thani 1443 A.H. (23 January 2022).

Almarai Company
Exit 7, North Ring Road
Al Izdihar District
PO Box 8524
Riyadh, 11492
Saudi Arabia

investor.relations@almarai.com
www.almarai.com

Download our Investor Relations app